

The New York Certified Public Accountant



VOL. XIV

November • 1944

No. 14

TABLE OF CONTENTS

	PAGE
State Society Activities	641
Professional Comment	644
Proper Tax Accounting By MILTON RINDLER, C.P.A.	647
The Postwar Tax Structure—A Discussion of Four Leading Plans By REBECCA NEWMAN GOLUB	652
An Answer To "The Training of Bookkeepers in New York City High Schools" By ADOLPH KLEIN, C.P.A.	665
What Is A Public Accountant? By NORMAN E. WEBSTER, C.P.A.	667
Authors of Articles in This Issue	677

Published by

THE NEW YORK STATE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
15 E. 41st STREET • NEW YORK 17, N. Y.

WENTWORTH F. GANTT
Managing Editor

THE NEW YORK CERTIFIED PUBLIC ACCOUNTANT
is published monthly. Copies may be obtained at the office
of the Society at twenty-five cents per copy, \$3.00 per year.

Copyright, 1944, by
THE NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

*The matter contained in this publication, unless otherwise stated,
will not be binding upon the Society; and it should be understood
that any opinions expressed in articles published herein are the
opinions of the authors of the articles, respectively, and are not
promulgated by the Society.*

COMMITTEE ON PUBLICATIONS

HUGH S. O'REILLY, *Chairman*

BENJAMIN NEUWIRTH, <i>Vice Chairman</i>	SIDNEY B. KAHN
RAYMOND G. ANKERS	ROY B. KESTER
HAROLD JAMES BEAIRSTO	JAMES H. WREN

STATE SOCIETY ACTIVITIES

Calendar of Events

November 2—Thursday—7 P. M.—Tax lecture and forum session. Location: Engineering Auditorium, 29 West 39th Street, New York. Subject: **Carry-back and Carry-forward provisions.** Speaker: Maurice Austin.

November 8—Wednesday—7 P. M.—Tax lecture and forum session. Location: Engineering Auditorium, 29 West 39th Street, New York. Subject: **Recent changes in New York State franchise tax.** Speaker: Benjamin Harrow.

November 27—Monday—Regular meeting of the Board of Directors.

November 27—Monday—7:30 P. M.—Regular meeting of the Society. Location: Waldorf-Astoria Hotel, Lexington Avenue & 49th Street, New York. Subject: **Federal Taxation.** Speaker: Norman D. Cann.

November 30—Thursday—7 P. M.—Tax lecture and forum session. Location: Engineering Auditorium, 29 West 39th Street, New York. Subject: **Current Problems in Capital Gains and Losses.** Speaker: Harry Silverson.

December 6—Wednesday—7 P. M.—Tax lecture and forum session: Location: Engineering Auditorium, 29 West 39th Street, New York. Subject: **Consolidated Income and Excess Profits Tax Returns.** Speaker: Walter A. Cooper.

December 11—Monday—Regular meeting of the Board of Directors.

December 11—Monday—7:30 P. M.—Regular meeting of the Society. Location: Waldorf-Astoria Hotel Lexington Avenue & 49th Street,

New York. Subject: **State Taxation.** Speaker—to be announced.

December 13—Wednesday—7 P. M.—Tax lecture and forum session. Location: Engineering Auditorium, 29 West 39th Street, New York. Subject: **Methods of Proving Section 722 Relief Claims.** Speaker: Paul D. Seghers.

December 21—Thursday—7 P. M.—Tax lecture and forum session. Location: Engineering Auditorium, 29 West 39th Street, New York. Subject: **Family Partnership and Related Problems.** Speaker: Benjamin Grund.

January 5—Friday—7 P. M.—Tax lecture and forum session. Location: Engineering Auditorium, 29 West 39th Street, New York. Subject: **Tax Aspects of Wage and Salary Stabilization.** Speaker: H. Kenneth Marks.

January 8—Monday—Regular meeting of the Board of Directors.

January 8—Monday—7:30 P. M.—Regular meeting of the Society. Location: Waldorf-Astoria Hotel, Lexington Avenue & 49th Street, New York. Subject: To be announced.

Candidates Who Passed the April 1944 C.P.A. Examinations

We have just been advised by the State Education Department that the following men passed the April C.P.A. examination and should be added to the list of those who appeared in the September 1944 issue.

Otto E. Hirschfeld, 3900 Grey-stone Avenue, Riverdale, New York
William P. Pyne, 430 East 155th Street, Bronx, New York.

**Broad Elected President of
American Institute**

At the 57th Annual Meeting of the American Institute of Accountants, held in St. Louis, October 16-19, Samuel J. Broad, a member of the Society, was elected president of the Institute for the coming year.

Maurice E. Peloubet was elected treasurer and Theodore Krohn was elected as a member of the Council.

Tax Lectures

Attention of the membership is called to the series of tax lectures for the membership only, sponsored by the Committee on Federal Taxation, Maurice Austin chairman, which are listed in the calendar of events.

Reservations for attendance are required and reservation forms have been sent to the members.

Somewhere . . .

an American sailor's life has just been saved by
a transfusion of blood, collected by the Red
Cross and put on his ship by the Red Cross.
Remember this when you're asked to give or
give again to the RED CROSS WAR FUND

Announcement of **1945 PRIZE ESSAY CONTEST**

The Board of Directors of the Society has authorized the Committee on Publications to conduct a prize essay contest, the essays to be on a subject of interest to the accounting profession and suitable for publication in The New York Certified Public Accountant. Prizes in the amount of \$150 for first prize, \$100 for second prize, and \$50 for third prize are offered.

The general rules of the contest are as follows:

All papers shall be original and the manuscript shall be typed in duplicate on 8½ x 11 stationery, double or triple space typing, and should not be more than 5000 words.

★

The name of the individual submitting the paper should not appear thereon, nor should there be any other means of identifying the manuscript, which should be accompanied by a covering letter giving the contestant's name and address.

★

When submitted to the judges, each manuscript will be given a key number of identification.

★

Manuscripts should be forwarded to The Managing Editor of The New York Certified Public Accountant, 15 East 41st Street, New York 17, N. Y., on or before May 1, 1945. Awards will be announced as soon thereafter as possible.

★

All papers submitted shall become the property of the New York State Society of Certified Public Accountants and shall be available for publication in The New York Certified Public Accountant. The decision of the judges shall be final as to what papers may be entitled to prizes.

PROFESSIONAL COMMENT

New Contract Termination Regulations

The War Department and the Navy have completed a new Joint Termination Regulation embodying a joint termination accounting manual. The new regulation constitutes a revision of Procurement Regulation No. 15 and of the War Department Termination Accounting Manual for Fixed Price Supply Contracts, which were released in the summer of 1943.

Those who do accounting work related to settlements of terminated war contracts may, upon request, receive a copy of the new joint regulation, without charge, and may be placed on the mailing list to receive copies of amendments which may be issued in the future.

If you desire to take advantage of this service, address your request to:
Joint Termination Regulation
Distribution Office
Sixth Floor, 90 Church Street
New York 7, New York

In writing, it would be well to make your request on your business or professional letterhead and to indicate in your letter, in general, your reason for requesting a copy, since distribution is to be restricted to war contractors, accountants, and others directly participating in war contract termination settlement work.

New York State Corporation Franchise Taxes

The Society's Committee on Federal Taxation and State Taxation jointly requested a ruling as to the proper method of deducting, for Federal income tax purposes, New York State corporation franchise taxes payable under recent amendment of

the New York Franchise Tax Law. The following ruling was obtained by the Society from Norman D. Cann, Deputy Commissioner of Internal Revenue, in his letter of October 23, 1944, addressed to the Society, and has been published officially under the designation I.T. 3697, I.R.B. 1944-20, 2.

Gentlemen:

Reference is made to your letter of July 17, 1944, and enclosure, in which you inquire concerning the accrual, for Federal income tax purposes, of the franchise tax imposed on business corporations by section 209, article 9-A, chapter 62 of the New York tax law as added by section 2 of chapter 415, Laws of 1944, effective March 31, 1944.

The New York State franchise tax law, as amended March 31, 1944, imposes a tax upon domestic and foreign corporations for the privilege of exercising the corporate franchise or doing business in the State for all or any part of each of the taxpayer's fiscal or calendar years beginning after November 1, 1944. The amount of the tax is based upon the entire net income of the corporation received during the fiscal or calendar year for which the tax is paid. (Section 209 (1) of article 9-A.) Special provision is made, however, for all or any part of the period beginning November 1, 1944 (January 1, 1945 in the case of holding corporations heretofore taxable for the privilege calendar year 1944 under section 188 of the tax law), and extending through any subsequent part of its first fiscal or calendar year ending after said date. (Section 209(2).) Franchise tax returns are due on May 15 next succeeding the close of

each
in th
after
prior
four
fiscal
ment
which
the r
on or
213(1
purpo
allow
for th
and r
tion
208(9
exerc
to do
certa
date
209(3
Janu
which
filed,
tion
or to
the
cessa
New
takes
10, c
Th
pay
years
1944
corpo
first
for th

The
today
printin
format
This
Regul
ments
and re
the las

each fiscal or calendar year, except in the case of fiscal years ending after the last day of February and prior to July 1, when returns are due four months after the close of the fiscal year. (Section 211(1).) Payment of one-half the tax, or \$25.00, whichever is greater, is due when the report is required to be filed, and the remainder of the tax is payable on or before November 15. (Section 213(1).) For New York State tax purposes, a deduction for the tax is allowable only in computing income for the year in which such tax is paid and no tax is allowable as a deduction more than once. (Section 208(9)(f).) Corporations ceasing to exercise the corporate franchise or to do business in the State are, with certain exceptions, taxable up to the date of such cessation. (Section 209(3).) The tax becomes a lien on January 1 following the date on which the report is required to be filed, except in the case of a corporation ceasing to exercise its franchise or to do business in the State, when the lien attaches on the date of cessation. (Section 213(2).) The New York State franchise tax law takes effect immediately. (Section 10, chapter 415, Laws of 1944.)

The liability of a corporation to pay the franchise tax for taxable years beginning after November 1, 1944 (January 1, 1945 for holding corporations) is determined on the first day of its fiscal or calendar year for the reason that it is the exercise

of the franchise for such year or part thereof which determines its liability. It is held, therefore, that the New York State franchise tax accrues on the first day of a corporation's taxable year. The amount of a corporation's liability cannot be determined before the close of its taxable year inasmuch as the tax is computed upon the basis of its entire net income for all or any part of its taxable year.

However, the tax imposed upon a corporation for the privilege of exercising its franchise or doing business in the State for all or any part of the period beginning November 1, 1944 (January 1, 1945, for holding corporations), and extending through any subsequent part of its first fiscal or calendar year ending after said date, accrues on November 1, 1944 (January 1, 1945, for holding corporations), and is deductible in its Federal income tax return for the taxable year which includes November 1, 1944. Consequently, a corporation (other than a holding corporation) reporting on the calendar year basis would pay a tax for the privilege of exercising its franchise or doing business for the period November 1 to December 31, 1944, which would be computed on the basis of the entire net incomes for the years 1943 and 1944. The tax computed on such basis is considered to be a single tax for Federal income tax purposes and accrues on November 1, 1944, as indicated above.

SECURITIES AND EXCHANGE COMMISSION RELEASE

ACCOUNTING SERIES—Release No. 49—October 18, 1944

The Securities and Exchange Commission today announced that, preliminary to a reprinting of Regulation S-X, it had adopted a formal amendment to Rule 1-01 thereof. This amendment merely specifies that the Regulation is applicable to the financial statements prescribed in the following registration and report forms which were adopted since the last reprinting of the Regulation: Regis-

tration Forms S-1, S-2, S-3, S-4, S-5 and S-6 under the Securities Act of 1933, and Report Forms U5-K and U5-MD, respectively, under Sections 13 and 15 (d) of the Securities Exchange Act of 1934.

The text of the Commission's action follows:

The Securities and Exchange Commission, acting pursuant to authority conferred

upon it by the Securities Act of 1933, particularly Sections 7 and 19 (a) thereof, the Securities Exchange Act of 1934, particularly Sections 12, 13, 15 (d) and 23 (a) thereof; and the Investment Company Act of 1940, particularly Sections 8, 30 and 38 (a) thereof, and deeming such action necessary and appropriate in the public interest and for the protection of investors and necessary for the execution of the functions vested in it by the said Acts, hereby amends Regulation S-X as follows:

Paragraph (a) of Rule 1-01 is amended by striking out the word "or" between "A-2" and "C-1" and inserting in its stead a comma and by deleting the semi-colon after "C-1" and adding the following material to such paragraph, "S-1, S-2, S-3, S-4, S-5 or S-6, except as otherwise specifically provided in such forms;"

Paragraph (c) of Rule 1-01 is amended by striking out the word "or" between "14-K" and "24-K" and by deleting the semi-colon after "24-K" and by adding the following material to such paragraph "or U5-K;"

Paragraph (d) of Rule 1-01 is amended by striking out the word "or" between "2-MD" and "4-MD" and by deleting the semi-colon and the word "and," which follow "4-MD" and by adding the following material to such paragraph, "or U5-MD; and,"

As amended paragraph (a) of Rule 1-01 reads as follows: "(a) Registration statements under the Securities Act of 1933, filed on Form A-2, C-1, S-1, S-2, S-3, S-4, S-5 or S-6, except as otherwise specifically provided in such forms;"

As amended paragraph (c) of Rule 1-01 reads as follows: "(c) Supplemental or periodic reports under Section 13 of the Securities Exchange Act of 1934, filed on Form 10-K, 11-K, 13-K, 14-K, 24-K or U5-K;"

As amended paragraph (d) of Rule 1-01 reads as follows: "(d) Supplemental or periodic reports under Section 15 (d) of the Securities Exchange Act of 1934, filed on Form 1-MD, 2-MD, 4-MD or U5-MD; and,"

Effective October 18, 1944.

*It is the Patriotic Duty
of Every American Citizen to:*

**BUY United States War Bonds and Stamps
GIVE to the Red Cross**

Proper Tax Accounting

By MILTON RINDLER, C.P.A.

MORE than a year ago, I wrote about the conflict existing between accounting principles as applied by accountants and their application in the administration of the Federal income tax law by the Courts and the Treasury Department.¹

The subject comes to the fore again in the light of a decision by the Supreme Court in which judicial notice is taken of "proper tax accounting." The Dobson case² marks a turning point in the judicial handling of income tax cases which the accountant as well as the lawyer would do well to note. At the least, the decision emphasizes the accounting problems involved in income tax administration. From a broader viewpoint, however, it increases the present urgent need for the more active participation by accountants in formulating proper tax accounting principles and procedure.

The Dobson case involved a taxpayer who had purchased stock in 1929, part of which he had sold in 1930 and 1931, incurring substantial losses. He sued the seller of the stock for fraud in connection with his original purchase. He recovered a large amount in 1939 and the Commissioner sought to tax that portion of the recovery attributable to the stock sold in 1930 and 1931. The taxpayer pointed out that if the recovery were added to the sales prices of the stock sold his income taxes for the years of sale would not be altered.

The Tax Court, viewing all trans-

actions as a whole, found that the taxpayer had realized no taxable gain in 1939. On appeal the U. S. Court of Appeals (8th Circuit) reversed the Tax Court, upholding the Commissioner.

The Supreme Court ruled in favor of the taxpayer on the ground that the case was one of a large volume of similar cases, involving proper accounting and not reviewable questions of law. The Court said, "What in the circumstances of this case was a proper adjustment of the basis was thus purely an accounting problem and therefore a question of fact for the Tax Court to determine . . . Where no statute or regulation controls, the Tax Court's selection of the course to follow is no more reviewable than any other question of fact."

This should establish a principle of utmost importance to accountants. But we are confronted with the immediate question of what constitutes a matter of proper tax accounting as distinguished from one of statutory interpretation. This problem is aptly analyzed and discussed by a member of the New York Bar in a series of articles in the New York Law Journal³. The author shows by a review of court actions, following the Dobson case, that the Courts will have great difficulty in distinguishing accounting matters from those of law.

The case of the Security Flour Mills⁴ decided only two months after the Dobson case reveals what appears to be a contradiction by the

¹"Accounting Principles and the Administration of the Federal Income Tax Law"—The New York Certified Public Accountant, July, 1943.

²Dobson v. Commissioner of Internal Revenue 64 S. Ct. 239—12-20-43.

³The Dobson Case and Administrative Finality by Harry Burstein—August 7, 1944 and five succeeding issues.

⁴Security Flour Mills Co. v. Comm. 64 S. Ct. 596—Feb. 28, 1944.

Supreme Court, of the Dobson ruling. In his discussion of this case, Mr. Burstein, from a legal standpoint, came to the conclusion that the Tax Court's holding in the Security Flour Mills case on the matter of accounting should have had the same finality as in the Dobson case.

In the Security Flour Mills matter, the Supreme Court upheld the Circuit Court of Appeals in its reversal of a ruling by the Board of Tax Appeals.

The taxpayer, on the accrual basis, had accrued and deducted in its tax return, processing taxes which had been deposited with a Court, pending suit on the issue of constitutionality. In February, 1936, these taxes were refunded to the taxpayer, which in turn during the years 1936, 1937 and 1938 returned to its customers taxes collected as part of the sales price of merchandise sold in 1935.

The Board of Tax Appeals had ruled that the refunds to the taxpayer constituted income for 1935, offsetting the original accrual and that the payments to its customers in 1936, 1937 and 1938 should be carried back and allowed as deductions for 1935.

The Supreme Court on the other hand held that no part of the taxes accrued or the refunds to the customers were deductible in 1935 on the basis that "it is well settled by many decisions that a taxpayer may not accrue an expense the amount of which is unsettled or the liability for which is contingent and this principle is fully applicable to a tax, liability for which the taxpayer denies and payment whereof he is contesting."

The taxpayer, however, had claimed that deduction of the refunds to customers could only be taken in 1935 if the provisions of Section 43 of the law were adhered to. Refer-

ence was made to that part of the section which after allowing deductions paid or accrued, proceeds to state "unless in order to clearly reflect the income, the deductions or credits should be taken as of a different period."

If you read that clause several times, I am certain that you will find it free of ambiguity and unequivocal in its expression of a general rule to avoid distortion of income in any year. The Circuit Court of Appeals (8th) had ruled in an analogous case⁵ in favor of the taxpayer, solely because of this clause in Section 43. That court said, "We think the guide for construction of this 'unless' clause is that it comprehends those exceptional situations where it is necessary to transfer a deduction item in order to avoid such a distortion of income as would produce an injustice".

But the Supreme Court felt the clause was to be more narrowly construed. It inferred from the example given in the Senate and House Committees' report on this particular section, that the "unless" clause applied only to fixed liabilities payable over several years. Apparently, the Court realized that this interpretation of plain, clear language was extremely weak, for it fortified its reasoning with references to the need of maintaining the recognized accounting methods and the certainty of annual tax computations.

It is significant that Justice Jackson who delivered the opinion in the Dobson case, dissented on the ground that the Dobson decision governed and should have been applied to the point at issue in this case.

In assaying the importance of this decision, it is not merely a question of justice or injustice to the taxpayer directly involved. It is once again an expression of a legal opinion on a matter of proper accounting. Sec-

⁵ *Helvering v. Cannon Valley Milling Co.* 129 F. (2nd) 642—July 15, 1942.

tion 43 is devoted entirely to prescribing rules of accepted accounting for tax purposes. The "unless" clause could and should have been used to correct many inequities if it were not restricted in application as the Court would have us believe, to prepayments of rent or advance accrual of several years' rent. The precedent however is now set and the Tax Court and other courts will be compelled to follow it in all future actions.

We now realize that what we, as accountants, regard as "proper tax accounting" does not coincide with the views of the Supreme Court. In spite of the law's reference to "method of accounting regularly employed in keeping the books of such taxpayer"⁶ and "best accounting practice"⁷, the Court has invariably disregarded accounting practice and applied legal definitions to accounting terms.

The Dobson case was a step in the right direction. It specifically recognized that many questions arising under the income tax law are matters solely of "proper tax accounting". But we shall continue to be at a loss to know what the Supreme Court includes in that term.

Certain sections of the law deal expressly with accounting methods and practice. The sections covering inventories, (Sec. 22(c)), depreciation and depletion (Sec. 23-L and M), the computation of net income (Sec. 41), the taxable years in which gross income is to be "properly accounted for" (Sec. 42), deductions and credits, (Sec. 43) and the proper basis of property for gain or loss and for depreciation (Sec. 113) are, in my opinion, some and by no means all, of the sections concerned with proper tax accounting. Administrative rulings which conform to the

best accounting practice in the application of these sections should have finality.

Unfortunately, the Supreme Court has in the past ruled on matters relating to proper accounting as it has done in the Security Flour Mills case. Future rulings cannot deviate from these precedents in the absence of a change in the law. Included in this group of decisions are the following, which are not all inclusive:

The Anderson case⁸ in which the Court ruled on the interpretation of the word "accrued" as used in the income tax law. A tax had accrued and was deductible, the Court said, when all the events had occurred "which fix the amount of the tax and determine the liability of the taxpayer to pay it". Here we have a legal definition which fails to encompass the accountant's view that accrual as applied to an expense or deduction includes apportionment and allocation of items to periods and the income to which it is attributable or related.

This decision had the effect in the numerous cases which followed it, of fixing a specific date for the accrual and deduction of expenses. This, of course, is not in harmony with the accountant's practice of applying the deduction to the income earned by reason of such accrued expenses or prorating such items over the period for which they are incurred.

In another case⁹ the Court held that income received under a claim of right without restriction as to its use or disposition, must be reported when received, though it may still be claimed that the recipient is not entitled to retain the money. This ruling has been applied to cover money received representing an advance payment of rent covering a

⁶ Section 41—I. R. C.

⁷ Section 22 (c) I. R. C.

⁸ U. S. v. Anderson 46th S. Ct. 131 (1926).

⁹ North American Oil Consolidated v. Burnet (1932) 52 S. Ct. 613.

period of years and is not affected by the fact that the taxpayer is on the cash or accrual basis.

Subsequent rulings followed this decision but carefully restricted the taxpayer to the allocation of deductions paid in advance over the years to which they were attributable.

Thus, a taxpayer might report as income in one year his receipt in advance of rent for five years. Over the next four years, he would have net losses as a result of expenditures with no offsetting income. Certainly this is not proper accounting.

The Security Flour Mills case which has been fully discussed, establishes another precedent, namely, that the "unless" clause shall be restricted to certain deductions and shall not be regarded as generally adaptable to any situation where the treatment of a deduction results in a distortion of income. Another important doctrine set forth in that case was to the effect that a taxpayer may not accrue an expense which is unsettled or which he is contesting.

As accountants, we know the great distortion which can occur when deduction is postponed until the end of litigation. Hence, if we do not set up liabilities, we create reserves so to charge the proper year, or failing this, we charge surplus with deductions attributable to prior years.

Before the Security Flour Mills case, Congress added to the law in 1942, Section 128. This section allows the taxpayer to exclude from income a recovery of a Federal tax held unconstitutional if he elects to treat a deduction allowed in a prior year in respect of such tax as not allowable and waives the statute of limitations. Apparently, Congress must have felt that the original deduction was allowable even though the liability was disputable, or in any event, the legislators wished to

prevent distortions. This attempt to correct inequity where the prior year can be reopened is in sharp contrast with the action of the Supreme Court.

These are by no means all of the decisions materially affecting proper tax accounting. But these few cases cover a wide field and have set a pattern which must be followed. It is obvious that if these rigid rules are adhered to, proper tax accounting will not be proper accounting.

The Supreme Court has stressed the need for fixed and certain annual reports and the desire for stability in the tax system. Congress, on the other hand, has inserted in the law provisions like Section 128 to correct returns of prior years where an inequity will otherwise result. In this connection, we have also sections of the law allowing the carrying back and forward of net operating losses¹⁰ and excess profits credits,¹¹ and the re-allocation of income earned over thirty-six months or more and back pay.¹²

The Dobson case, while it marks the cleavage between accounting and law as they relate to income tax problems, will probably have very little effect on future decisions. As we have seen in the Security Flour Mills case, there is still a tendency to cast the issue toward the legal rather than the accounting side.

Moreover, the great harm already done to accounting principles and practice by past decisions cannot be undone unless the tax law is amended. As the Supreme Court noted in the Dobson case, Congress had to amend the law on bad debt recoveries where the original deductions had resulted in no tax benefit, only because the Board of Tax Appeals had been reversed by the courts on an accounting question.

As accountants, we shall have to

¹⁰ Section 122—I. R. C.

¹¹ Section 710 (c) I. R. C.

¹² Section 107—I. R. C.

Proper Tax Accounting

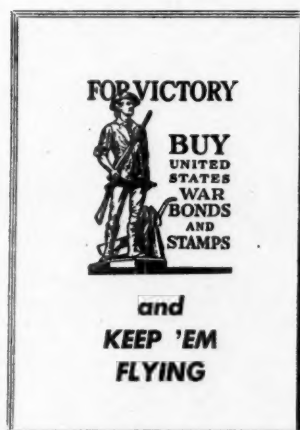
either compromise between true net income for business purposes and equally true net income for tax purposes. We cannot argue with the courts as to whether the law calls for the promulgation of accounting principles for the true determination of annual net tax income by legal minds or by accountants who are daily engaged in the task of ascertaining the same result for business.

In my opinion, there is only one course of action left open to us. We must as a group petition Congress to appoint a Board of Certified Public Accountants to draft accounting principles and procedure affecting each section of the law which seeks to secure a proper tax accounting of net income or any of the factors entering into such computation.

If Congress can be convinced of the need for reconciling proper tax

accounting with proper accounting, it will welcome the assistance of those best fitted for the work. It will not be necessary to encumber the law with additional clauses to define the proper accounting procedure. The Code can be amended to refer for correct application of all sections dealing with accounting to a separate chapter or appendix in which all the necessary doctrines, principles, practice and procedure can be set forth.

If this can be accomplished, and it can only be done by aggressive unified effort on the part of accountants as a body, we may ultimately hope that a permanent board of accountants will be established to rule solely on matters of proper tax accounting raised in cases brought before the Tax Court.



The Postwar Tax Structure— A Discussion of Four Leading Plans

By REBECCA NEWMAN GOLUB

This article summarizes and compares four major tax proposals recently submitted by business groups and research organizations. The text does not reflect postwar tax recommendations of the Institute or the Society. It is reprinted from the October 1944 Journal of Accountancy.

THE growing recognition of the importance which a revised tax system will play in the nation's forthcoming postwar economy has resulted in many current studies and recommendations.

Four studies—the Brookings Institution,¹ the Committee for Economic Development (CED),² the Ruml-Sonne,³ and the Twin Cities plans⁴—sponsored by business groups and research organizations have brought forth much constructive thought on the subject and are receiving attention in the press and in legislative circles.

These studies are significant not because any single plan may necessarily be enacted in its entirety, but because they aid in understanding the issues involved, possible alternative solutions, and, in general, the businessman's thinking on the tax problem. They have not been offered as final curealls, but have

been put forth as "pioneer blueprints" to be used as a basis for discussion.

General Principles and Bases for Revision

Objectives

One of the most significant aspects is the major focus of each of these plans on devising a tax system which, consistent with revenue needs and equitable distribution, will be conducive to high levels of production and employment. The theory behind this new philosophy is that taxes have a major effect on business activity which must operate at high levels to create jobs and a high standard of living. If business is to meet this postwar challenge of furnishing full employment under the American system of free private enterprise, a "favorable tax atmosphere" must be established which will not discourage initiative, business growth, new ventures, and private risk-taking capital.

These studies suggest that the most efficient form of private enterprise and a sound economic system would be achieved by removing, in so far as possible, tax restrictions and inequities on business operation

¹ Lewis H. Kimmel, *Postwar Tax Policy and Business Expansion* (1943), prepared under the auspices of the Brookings Institution in collaboration with the Special Senate Committee on Post-War Economic Policy, Washington, D. C. (Pamphlet No. 53).

² *A Postwar Federal Tax Plan for High Employment*, proposed by the Research Committee of the Committee for Economic Development (August, 1944) New York. A preliminary report by Harold Groves, Professor of Economics at the University of Wisconsin, *Production, Jobs and Taxes*, 1944, New York, was prepared prior to the issuance of the plan by the Research Committee. Each report is distinct but basically the philosophy and conclusions are the same. References to *Production, Jobs, and Taxes* will be made in the form of "Professor Groves' study."

³ Beardsley Ruml and H. Chr. Sonne, *Fiscal and Monetary Policy* (July, 1944), prepared under the auspices of the National Planning Association, Washington, D. C. (Planning Pamphlet No. 35).

⁴ The Twin Cities Plan, *Postwar Taxes* (June, 1944), prepared by a group of St. Paul and Minneapolis, Minnesota, businessmen, The Twin Cities Research Bureau, Inc., St. Paul, Minnesota.

The Postwar Tax Structure—A Discussion of Four Leading Plans

and investment existing in the present tax law.⁵ Business management should be permitted to make decisions on the basis of the needs of industry, efficiency, and initiative without distortion by tax considerations which play an important part today in influencing the form of business organization, corporate-financing policies, dividend distribution or reinvestment of earnings, and private investment of venture capital.

"Incentive taxation" plans (which involve the element of compulsion and the fostering of uneconomic units) are, therefore, disapproved as being actual subsidies or punitive penalties given at the expense of others and entailing administrative complexities and political expediency. A sound tax system and the normal factors in the economic system, it is contended, should provide adequate basis for business opportunity and motivation. If these fail to do so, the real cause of difficulty should be corrected directly rather than perpetuated through tax preferences.

The need for a simplified, stable tax structure, based on a clearly defined, long-range tax policy, which could remain in more or less permanent form except for changes in rates

to meet varying fiscal needs, is considered a fundamental objective.⁶ Frequent changes and piecemeal tax adjustments are deemed a serious detriment to business confidence and planning which curtails productive activity and expansion. Retroactive changes, which often do not permit corresponding business adjustments, are particularly bad.⁷

Estimates of Postwar Budget and Level of National Income

In order to present specific tax programs the authors of these plans have had to estimate postwar budget expenditures and the postwar national-income level despite the large factors of uncertainty involved.⁸

The Ruml-Sonne and Twin Cities plans assume a postwar budget of \$18 billion and the CED estimates a tax structure to yield from \$17.1 to \$19.5 billion at three suggested schedules of income-tax rates. Each estimate is exclusive of social-security costs and retirement of the public debt.

A national-income level of \$140 billion at 1943 prices has been designated by the CED and Ruml-Sonne plans as a satisfactory level which will permit full employment. The Twin Cities plan bases its program

⁵ It is recognized that the tax system cannot be entirely neutral in its effect on economic activity, but it is felt that the tax system should interfere as little as possible.

⁶ This is in accord with the principle long urged by the American Institute of Accountants and stated in the resolution adopted at the annual meeting on October 19, 1943, resolving that Congress should appoint a nonpartisan tax commission as the most effective means for achieving this objective.

⁷ The Twin Cities plan suggests:

- (1) Any increase in tax rates should be made effective for the following taxable years and not retroactive.
- (2) Permanent corporate-tax rates should be set and, if necessary, the normal tax and not the surtax should be changed.
- (3) Relief amendments should be optional with the taxpayer.

⁸ Indeterminate budgetary factors include, among others, (1) continuance of lend-lease, (2) the cost of a standing army, (3) benefits to returning veterans, (4) public works, etc. Estimates regarding the postwar budget needs have ranged from \$15 to \$30 billion and official estimates have indicated that \$25 billion is probably a realistic estimate. The extent to which the present plans have underestimated the postwar budget or overestimated the level of national income would, of course, affect the possibility of effecting the proposed tax reductions and indicates the need for a tentative and flexible plan. These plans have recognized that their recommendations would have to vary with actual conditions as they arise. (The Brookings Institution study does not present estimated bases.)

on a \$120 billion level of national income at 1942 prices as a level adequate to maintain necessary employment.

Balancing of the budget at the suggested high levels of production and employment is considered the first objective with retirement of the public debt to come as soon thereafter as surpluses are possible.⁹

Specific Tax Proposals¹⁰— Corporation Taxes

Integration of Corporate and Personal Taxes

Substantial corporate-tax relief is provided in varying degrees in each of the studies. Three of the plans contend that corporation taxes represent the most serious restraint on business activity and should be reduced to a minimum. They contend that, although the actual incidence of the tax is obscure and difficult to appraise, corporations are intangible entities which cannot bear taxes and that, therefore, the tax is either a cost of production or distribution in the form of lower salaries to wage earners or increased prices to the consumer, or results in reduced dividends to stockholders, or a combination of all these effects.

The Twin Cities plan, on the other hand, contends that "relatively heavy corporate income-tax rates are not so harmful to the private-enterprise system as are heavy individual income-tax rates, for the reason that the latter shut off at the source all possibility of venturing of capital by individuals".

Elimination or mitigation of the inequitable double taxation of dividends—once at the corporate level without regard to progressive rates,

and again to the shareholder upon distribution—is considered essential in each of the plans in order to remove this discouraging effect on investment and risk-taking, on the establishment of corporate business versus unincorporated business, and on the use of equity financing versus bond financing, regardless of business judgment and economic desirability.

The Ruml-Sonne plan offers the bold recommendation that federal income taxes on corporations be abolished except for a small franchise tax of 5 per cent on net earnings to represent "the value of doing business in the corporate form." This proposal is conditioned upon the adoption of safeguards (a) to prevent avoidance of payment of individual income taxes through the building up of uninvested and untaxed corporate surpluses; and, (b) to prevent corporations from obtaining undue tax advantages over partnerships and unincorporated business. A normal rate of 16 per cent on undistributed earnings, which might or might not be credited to individuals when disbursed, was suggested. The proposed corporation-franchise and retained-earnings tax would yield \$1 billion of the estimated \$18 billion postwar national budget.

Although the Ruml-Sonne plan is quite different from the 1936 undistributed-profits tax, which added a coercive penalty on surplus accumulations to the regular corporate income tax, a major problem remains in determining a satisfactory undistributed-profits-tax rate which would not be so high as to force uneconomical distributions and not so low as to permit unnecessary tax-free accumulations to be used as an

⁹ The Ruml-Sonne plan indicates that federal budgetary action will be necessary when required to maintain adequate economic demand and suggests that public works should be planned to even out activities of construction industry.

¹⁰ See table at end of article for comparison of proposed sources of tax revenue.

The Postwar Tax Structure—A Discussion of Four Leading Plans

individual income-tax dodging device from high personal surtaxes.¹¹

The Brookings Institution study also agrees that from the point of view of maximum release of economic power and ample employment opportunities, the corporate income tax should be eliminated, but points out that this would require other significant alterations in the income-tax structure, particularly the imposition of a higher personal income tax which might be unacceptable, and that, in view of the large postwar revenue requirements, it appears unlikely that the corporation tax (which has been the source of almost one-fourth of the 1938-40 tax revenues) can be abandoned entirely.

Both the Brookings Institution and the CED studies suggest plans by which the corporation becomes the withholding agent for stockholders for the tax paid on corporate net earnings distributed in dividends. Under the Brookings Institution plan a single normal tax applicable to individuals and corporations, at a substantially higher rate than the prewar normal rate on personal income to meet the heavy revenue requirement, would be im-

posed on all taxable income and collected at the source on corporate earnings. The corporation tax levied over and above the normal tax would be held to a low or moderate rate—possibly in the range of 5 to 10 per cent. Credit for intercorporate dividends would be allowed 100 per cent instead of the present 85 per cent.

The CED plan proposes a single corporate tax at a flat rate of 16 per cent, 18 per cent, or 20 per cent depending on which rate is adopted as the standard rate for individuals. This corresponds to the 16 per cent undistributed-profits tax suggested in the Ruml-Sonne plan but in addition the corporation becomes the withholding agent for stockholders on corporate net income paid out in dividends. This again raises the question of whether corporations would be prevented from accumulating unnecessary surpluses. Under this plan the corporate income tax would contribute \$1.8 billion, or \$2.1 billion, or \$2.3 billion of three alternative totals—\$17.1 billion, \$18.3 billion, or \$19.5 billion.

Present taxation of personal holding companies would be retained in the CED plan, as well as the exist-

¹¹ Clinton Davison, Jr., New Jersey, in a letter to the editor of *The New York Times*, August 21, 1944, refers to the suggestion that the rate of undistributed-profits tax should be the same rate the average stockholder would pay if he received the income in dividends. Under 1944 personal income-tax rates the rate would be 41 per cent and under the Ruml-Sonne plan the rate would be 31 per cent. Mr. Davison believes that the capital-gains tax should be repealed and a provision enacted for a tax credit to stockholders on dividends paid out of surplus in excess of current corporate income. Others, he states, favor retention of the capital-gains tax and a reduction to 20 per cent or 15 per cent in the undistributed-profits tax to compensate for this degree of double taxation.

Dr. Paul Ellis in a published address, *Corporate Tax Structure for Postwar Progress*, delivered at Temple University, Philadelphia, Pennsylvania, August 6, 1944, proposed that all corporation taxes be repealed and both dividends received and increases in values of stock owned would be taxed as income of stockholders. In those cases where it would be difficult to demonstrate stock value, corporate income of stockholders would be taxed like the income of partners. Declines in stock values or shares of losses would be treated as reductions of income, with provisions for carrying losses back five or six years. Collection at the source on corporation income amounting to 30 per cent of each year's income would be provided. This tax would be prorated among the shareholders and used as an offset in computing their individual income taxes. (This suggestion, Dr. Ellis states, is a combination of two plans suggested in the report of a committee made to the National Tax Association by its chairman, Professor R. M. Haig, of Columbia University, more than four years ago.)

ing provisions which penalize unreasonable accumulation of earnings.¹²

The Twin Cities plan, which favors reduction of individual income-tax rates at the expense of corporate tax rates proposes that corporate net income up to \$50,000 be taxed at the 1942 graduated normal tax and surtax rates. Corporate income in excess of \$50,000 would continue to pay the present combined normal and surtax rates of 40 per cent. The exclusion from "gross income, and thus from taxation, of 40 per cent of an individual's income from dividends" was recommended to alleviate double taxation of dividends and to stimulate venture capital. The credit for intercorporate dividends is increased from 85 per cent to a full 100 per cent. Under this plan corporate taxes would provide \$5 billion of the estimated \$18 billion budget.

Excess-Profits Tax

The excess-profits tax, justified as a war-time emergency measure, is regarded as one of the most repressive taxes on corporate enterprise which places a penalty on risk-taking, efficiency, and business-income fluctuations. Each of these plans recommends the repeal of this tax

as a major step in fostering sound business activity.¹³

The Brookings Institution report and Professor Groves, in his study, recommend that the effective date of repeal should be postponed as part of the general inflation-control policy and to apply to war contracts which will not be canceled immediately after the end of the war, as well as to provide a substantial source of revenue while needed.¹⁴

Professor Groves suggests it be repealed soon after the end of the war, the repeal to take effect a year later. The Brookings Institution study evidently contemplates a longer temporary continuance of this tax during the transition period, without specifying the length. During this continuance after the war, it is proposed that the specific exemption, now \$5,000, might be increased to \$50,000 effective for the first taxable year after the end of the war, or as an alternative, the large exemption could be restricted to corporations reporting excess-profits net income, before the exemption, of not over \$50,000.

Continuation of the unused excess-profits-tax credit carry-back provisions for the two taxable years after the repeal of the excess-profits tax is deemed necessary in the Twin

¹² Professor Groves in his study suggests that the partnership method which would require the paper distribution of earnings or the assessment of stockholders upon their pro rata share of reinvested earnings should be applied to all personal holding companies and corporations already subject to special laws for improper accumulation. Other corporations, with appropriate limitations, might be permitted to use the system at their option.

¹³ Other arguments against a peacetime excess-profits tax discussed in the Brookings Institution study and Professor Groves' study included:

- (1) It falls with unequal weight on various business and industrial groups.
 - (a) Small concerns show a wider range of earnings and suffer more severely in depressions.
 - (b) Producers' goods industries have greater annual profit fluctuations than consumer goods.
 - (c) New and risky enterprises could not average out early lean periods by substantial profits in later years.
- (2) It is a crude means for recapturing monopoly profits and might actually encourage monopoly by discouraging small business.
- (3) It must be a complicated tax in order to cover the numerous diverse situations.

¹⁴ The excess-profits tax was continued for three years (1919 through 1921) after the first world war.

Cities' and Professor Groves' studies in order that actual war profits may be determined for the whole period in which the war effects still continue.¹⁵

*Capital Stock and Declared-Value
Excess-Profits Tax*

Immediate repeal of the capital-stock and declared-value excess-profits tax is recommended by all the plans on the basis that (1) the tax is unscientific and complicated, (2) that the revenue derived is of minor importance since the tax is deducted in computing net income for the regular excess-profits tax and the corporate income tax,¹⁶ and (3) that it frequently produces unpredictable results which are particularly harmful to small companies.¹⁷

*Net-Operating Loss Carry-Back and
Carry-Forward Provisions*

The need for adequate recognition of losses through a longer carry-over of net operating losses is given attention in the Brookings Institution, CED, and the Twin Cities reports. Such provision is deemed necessary in order (1) to permit more accurate determination of real

net income as now reflected under the inherent limitations of an annual accounting period; (2) to reduce the burden of risk-taking on new businesses; and (3) to equalize the advantage which businesses having regularity of income enjoy as compared with the fluctuating income of new and old businesses.

Repeal of the two-year carry-back in the present law is recommended in order to remove administrative difficulties of filing amended returns and of making refunds, and extension of the present two-year carry-forward to four years under the Brookings plan, to five years under the Twin Cities plan, and to six years applicable to noncorporate as well as corporate business, under the CED plan is proposed.

At the same time, retention of the present two-year carry-back and two-year carry-over is recommended during the transition period, by two of the studies in order to help take care of postwar contingencies and permit business to adjust war profits more accurately.¹⁸ The Twin Cities plan suggests that taxpayers sustaining a net operating loss during either of the two taxable years in which the excess-profits-tax provi-

¹⁵ The Brookings Institution study suggests that continuation of the carry-back privilege without the excess-profits tax is improbable and therefore urges temporary continuance of the excess-profits tax.

¹⁶ If necessary, any needed revenues could be derived by increasing the corporate income-tax rate.

¹⁷ The Brookings Institution study notes that the capital-stock and declared-value excess-profits tax cannot be justified as a franchise tax since very few corporations are creatures of the federal government. The suggestion that another type of tax be substituted to apply to corporations who make no profits would presumably be opposed for the same reason, and also because the present tax is not levied as a tax on corporations operating at a loss except for unprofitable companies who guessed wrong.

¹⁸ Postwar Reserves: Professor Groves in his study notes that although the carry-back, if retained, will offer some relief for postwar contingencies, it will be of use only to those corporations which operate at a loss. Two alternative suggestions are therefore proposed: (1) companies might be permitted to establish an optional reserve of some proportion of the companies' net income to be available for specific postwar expenditures and if not so used, to revert to the income of the year from which it was taken; or (2) the present carry-back system might be modified so that war-caused expenses incurred within a limited period and under strict accounting might be offset against war income. Consideration of a specific reserve for postwar dismissal compensation with safeguards (recommended by the Treasury) was also suggested. General income-tax deduction for contingency reserves was deemed to involve too many factors of uncertainty.

sions are repealed should have the option to carry the loss back two years or forward for five succeeding years.¹⁹ The Brookings Institution study proposes continuance for three taxable years after the end of the war and in no event before repeal of the excess-profits tax.

Special Provisions for New Businesses²⁰

The role which small business must play in providing employment and in stimulating a healthy, competitive economy has been noted in these studies. But in general, direct subsidies and the fostering of submarginal units are disapproved. The two suggestions below are offered on the basis that they correct, rather than create, an existing unfair advantage of comparative regularity of income and ability to raise equity capital which larger, well established concerns enjoy.

The Brookings Institution study proposes that new manufacturing industries should be exempt from the corporate income tax (not the normal tax paid on corporation earnings at the source) for the first three years and be taxed at one-half of the

regular rate for the next two years.²¹

Professor Groves in his study recommends that new small businesses be given some exemption from the advance payment on retained income to be recouped in the application of the capital-gains tax.

Depreciation

The CED study suggests that business should be given wider latitude in determining depreciation deductions, so long as the total amount which can be written off does not exceed the cost, in order to avoid the administrative complexities under the present law.²² Since estimates of depreciation are necessarily inexact, this studying suggests that, within reason, business' own judgment, as indicated by its books, should be accepted for income-tax purposes.²³

The Brookings Institution study recommended that depreciation allowances, formerly permitted, might be doubled on new plant and equipment in order to encourage new investments and reduce the risks involved.²⁴ It was suggested that this proposed change be limited to a

¹⁹ The Twin Cities plan also suggests that net losses sustained from involuntary conversion of property and from other disposition of certain property used in trade or business, should be deducted in computing net operating loss.

²⁰ See also suggestions under depreciation, net operating losses, capital gains and losses, and recommendation for preferential rates on new equity income, discussed under the individual income tax.

²¹ As a criterion of a new manufacturing industry, the Brookings Institution suggests three alternative tests—(1) operation of a newly-constructed plant or plants; (2) operation of a plant which had not previously been used for manufacturing; or (3) operation of an abandoned or dormant plant which had not been used for manufacturing for a period of perhaps 3 years.

Along these same lines, J. K. Lasser, a New York certified public accountant, has proposed that new business, regardless of size or occupational group, which satisfies a "test law" that it is investing funds in expansion, promotion, and development, devised by business in cooperation with labor and government and administered by a community board, should have the option of not being taxed for five years or of being taxed under the benefits of the carry-back and carry-forward provisions.

²² It should also be noted that if less attention is paid to the calendar year in accounting for income-tax purposes through the use of longer carry-over of losses, the problem of annual deductions will be reduced.

²³ This suggestion was made by Colonel R. H. Montgomery in a circular letter to the membership of the American Institute of Accountants on June 25, 1943.

²⁴ A counter argument against arbitrary incentive depreciation allowances would be that depreciation is an actual expense to be accounted for and deducted when proper.

The Postwar Tax Structure—A Discussion of Four Leading Plans

specified period, such as ten years, in order to appraise its effectiveness.²⁵

Consolidated Returns

Repeal of the 2 per cent penalty for filing consolidated returns is recommended by the Brookings Institution and the Twin Cities plans. The use of such returns has been recognized as desirable in order to reveal actual net income and the 2 per cent filing penalty is regarded as unfair and unnecessarily repressive in its effect on the normal development of corporate structures.

Individual Income Tax

General Propositions

Three of the studies recommend that the graduated personal income tax should be the backbone of the tax structure because of its equitable ability-to-pay basis, the clearness of the incidence, and the less deterrent effect on production and employment as compared with business taxes.

In contrast, the Twin Cities plan suggests individual income taxation should be kept at a minimum by utilizing corporate taxes to the greatest extent possible in order that the taking of risks and the use of venture capital should not be impeded at the source. This plan proposes the adoption of a 5 per cent general sales tax under one schedule, to reduce personal income taxes further.

Broad coverage and continuance of present withholding and current payment of taxes is urged. Sub-

stantial rate reductions are provided at all income levels with particular emphasis on larger relative rate reduction in the higher brackets where venture capital might be forthcoming. As already indicated in the discussion of corporate income taxation, relief from double taxation of dividends is a part of each program.

Rates and Exemptions

Under the Ruml-Sonne plan, which yields \$13 billion or more than two-thirds of the \$18 billion budget, a \$500 exemption would be allowed for each taxpayer and for each dependent including husband and wife. The normal rate begins at 16 per cent on net taxable income and surtax rates at 1 per cent of \$2,000 to \$3,000 net taxable income, and graduates to a ceiling of 50 per cent on all net income of \$200,000 and over.²⁶ The surtax rate on the \$10,000 to \$12,000 bracket is 14 per cent.

The CED plan also recommends continuance of present exemptions of \$500 for each taxpayer and each dependent. The repeal of the 3 per cent normal tax and the substitution of a standard tax rate of 16 per cent, 18 per cent, or 20 per cent depending on revenue requirements, which would apply to net taxable income of not over \$2,000 after deductions and exemptions, is proposed. The standard rate, (i.e. standard and surtax rates combined) would graduate to a maximum of 73 per cent, 75 per cent, or 77 per cent (depending on which schedule is adopted) applicable to net taxable income over \$5,000,000.

²⁵ Professor Groves in his study recommends the use of accelerated depreciation in extreme cases during depressions.

Professor Groves also suggests industrial progress would be encouraged by allowing, as formerly, research expenses to be deducted on a cash basis.

²⁶ The Ruml-Sonne plan states that the exemptions allowed for individuals and dependents are too low and that the surtaxes on individual incomes between \$5,000 and \$50,000 are too high, judged solely from the interests of high production and high employment and that these should be corrected as soon as possible. It also points out that since rates in brackets over \$100,000 contribute little to total yield of the personal income tax, these rates reflect consideration of social rather than fiscal policy and are therefore merely illustrative.

The combined standard rate on the \$100,000 to \$200,000 net-income bracket would be taxed at 50 per cent, 52 per cent, or 54 per cent and the \$10,000 to \$12,000 bracket at 31 per cent, 33 per cent, or 35 per cent. The total individual income-tax yield under this plan would be \$9.9 billion, \$10.9 billion, or \$11.9 billion or a little more than half of the three estimated expenditure totals.

Averaging of Personal Income

The CED estimated yield assumes a 3 per cent reduction in tax yield for allowances under the proposal that individuals be permitted to average income over a span of years comparable to the carry-forward and carry-back provisions given to business.

A possible method, offered to accomplish this, is that individuals be given a refund to the extent that taxes actually paid during a 5-year period exceeded a given percentage, such as 105 per cent, of what such taxes would have been if the aggregate income had been spread equally throughout the period.

The Twin Cities report proposes two schedules of rates and exemptions depending on whether a 5 per cent general sales tax is adopted. The plan with a sales tax provides exemptions of \$600 for single persons, \$1,400 for married persons, and \$400 for each dependent. The normal rate begins at 10 per cent of net taxable income of not over \$2,000. A 6 per cent starting surtax rate applies to net taxable income between \$2,000 and \$4,000 and graduates to a top rate of 50 per cent on income above \$300,000. The surtax rate is 16 per cent on the \$10,000 to \$12,000 net-taxable-income bracket.

The plan without a sales tax also has a 10 per cent normal tax, but uses 1943 exemptions of \$500 for single persons, \$1,200 for married persons, and \$350 for each dependent. Surtax rates begin at 6 per cent on the first \$2,000 of taxable income and graduate to 65 per cent on income over \$500,000.

The 1943 earned-income credit is allowed under both plans as well as the proposal to exclude 40 per cent of dividends received from taxation.

Under the plan with a sales tax, \$5 billion is estimated from the personal income tax and \$2.8 billion from the sales tax. The individual income tax produces the total \$7.8 billion under the plan without a sales tax. This \$7.8 billion total is less than one-half of the estimated revenue needs and the \$5 billion figure is less than one-third.

The Brookings Institution study suggests a normal rate well above the prewar level will have to be established with perhaps preferential normal rates (such as one-half of the normal rate on the first \$1,000 of taxable income) at various income levels. A higher surtax rate than 75 per cent is not favored.

Preferential Rates on Equity Income

The Brookings Institution study recommends a reduction of $\frac{1}{3}$ to $\frac{1}{2}$, as based on the average effective rates for new equity investments made after the war in order to stimulate risk-taking investments.

Tax-Exempt State and Social Securities

Both the CED and the Ruml-Sonne plans recommend that the interest from all future state and local government securities should be taxed.²⁷

²⁷ Professor Groves, in his study, recommends that interest on existing as well as on future issues of such securities should be made taxable. Compensation for the vested rights, he suggests, might be given in the form of an allowance to state and local governments for increased interest required on new issues or an allowance to security holders to supplement interest payments making up for the reduced interest attributable to the tax exemption now canceled.

F
post
ings
Son
ent
gain
unti
effe
T
prop
and
been
vide
com
full
full
sho
circ
dea
tal
T
sug
stoc
cap
gain
com
ora
aga
mee
T
tail
foll
o
g
1
g
P
t
u
P
for
ing
from
the
inc
wis

Capital Gains Provisions

For purposes of the immediate postwar tax program, the Brookings Institution, CED, and Ruml-Sonne studies propose that the present provisions regarding capital gains and losses should be continued until after other changes have been effected.

The CED plan indicates that when proposed reductions in corporate and personal-income-tax rates have been made and some provision provided for averaging of personal income, capital gains should then be fully taxable like other income and full deductions for capital losses should be permitted. Under such circumstances, transfers by gift or at death should be recognized as capital gains or losses.

The Brookings Institution study suggests that investors in common stock might be allowed to offset capital losses against both capital gains and dividends on successful common-stock investment, to ameliorate the present discrimination against the stock of small and medium companies.²⁸

The Twin Cities plan offers a detailed program of revision as follows:

(1) Assets held for six months or less* would be treated as ordinary gains or losses.

(2) Corporations would report 100 per cent of long-term capital gains and losses and other taxpayers would report 50 per cent taxed at ordinary rates.

(3) An alternate tax (to be used only if less than the tax computed at regular rates on the en-

tire net income including the capital gains or losses) is computed by taking the tax on net income (excluding capital gains or losses) at the regular rates plus 12½ per cent of the capital gain or less 12½ per cent of the capital loss for corporations; and plus or minus 25 per cent of the capital gain or capital loss for other taxpayers, since the latter report only 50 per cent.²⁹

Sales Tax

Enactment of a general sales tax is deemed an undesirable feature of the post-war tax system by both the CED and the Ruml-Sonne plans.

The CED finds such taxes are objectionable (1) from the standpoint of equity because they fall most heavily on low-income families and threaten the enlarged market essential for the maintenance of high levels of employment; and (2) because they are conducive to governmental extravagance by avoiding the personal discipline required in direct taxes.

The Ruml-Sonne plan argues that there is no justification for such a tax given current collection machinery and a wide tax coverage, because (1) it has a deflationary effect which is harmful in periods of low consumer spending, and (2) because in boom periods deflationary pressure may be achieved by adjusting income-tax rates promptly.³⁰

The Twin Cities plan, in contrast, proposes that a moderate retail sales tax without exemption, which is difficult to evade, provides the most equitable and soundest allocation of postwar revenue sources. Such a

²⁸ The Brookings Institution study also states that if preferential rates are granted for income derived from new equity securities, consideration might be given to extending such provisions to capital gains from equity investments.

²⁹ The Twin Cities plan suggests that the present treatment of gains and losses from involuntary conversion or from the sale or exchange of certain property used in the trade or business should be continued.

³⁰ The Ruml-Sonne plan notes that if deflationary measures are needed, higher income taxes in brackets where spending comes from will have to be accepted, otherwise a deflationary sales tax may be inescapable.

tax, it is contended, will not be repressive nor more burdensome to the low-income group if personal income-tax schedules are adjusted to relieve individuals of an equal amount of tax. A 5 per cent sales tax with no exemption is suggested.

Excise Taxes

The Ruml-Sonne plan and the CED proposal agree that it would be desirable to abolish all excise taxes, but conclude that those on tobacco, liquor, and probably gasoline should be retained to provide a deflationary anchor and an additional element of diversity.

Under the Ruml-Sonne plan, excise-tax rates on liquor and tobacco would be applied at 1943 rates to yield a total of \$3 billion and under the CED plan, 1942 tax rates, except for gasoline which is calculated at one cent per gallon, would be used for a yield of \$2.9 billion.

The Twin Cities plan, on the other hand, calls for the continuance of 1943 excise-tax rates and exemptions to yield a total of \$4 billion.

Other Taxation Problems

Estate and Gift Taxes

Estate and gift taxation has not been regarded as an immediate postwar problem which directly affects enterprise and employment³¹ and although the need for integrating these taxes in order to prevent tax avoidance through inter vivos gifts, trusts, and powers of appointment is recognized, the problem has been referred for study and correction after the war.

³¹ The Ruml-Sonne plan observes that this subject is primarily a social issue rather than a fiscal problem, except to the extent that higher estate-tax rates might occasionally tend to drive investment into liquid assets rather than into speculative new ventures.

The CED proposal, however, suggests that since death taxes are less likely to have a deterrent effect on business activity than tax burdens on current income, greater emphasis might be placed on the latter in the tax structure.

³² Questions regarding expansion of coverage, increased benefits, federalization of unemployment insurance, would also be considered at that time. At present, the GI bill which provides for certain unemployment benefits to returning veterans will, in many cases, take the benefits out of the hands of the states.

Both the Ruml-Sonne and the Twin Cities plans assume continuation of present estate and gift-tax rates and exemptions to produce \$500 million revenue. The CED estimates a higher yield of \$900 million from these taxes based on the assumption that existing loopholes will be plugged.

Social-Security Provisions

Social-security provisions are generally regarded as part of a separate and distinct program in the federal tax system and, as has been noted, these costs are not included in the estimated postwar national budget. However, both the CED and the Ruml plans suggest that these provisions be reexamined with particular emphasis on the validity of the present methods of financing based on the theory of building up substantial reserves.³²

The Ruml-Sonne plan proposes that:

(1) The unemployment-insurance reserves should be compensatory with rates set to produce income to balance outgo at high employment and with the accumulation of reserves only after high levels of production and employment have been reached.

(2) Federal old-age insurance should be financed on a current basis with tax rates levied sufficient to meet current distributions and no more. If in any period revenues exceed distributions, tax rates should be cut or benefits extended or both, but reserves should not be permitted to accumulate.

Coördination of Federal, State, and Local Taxation

The problem of coördinating federal and state taxation is generally considered a long-range issue requiring further study. The need for such revision is indicated in the Ruml-Sonne plan, as going beyond economical administration, uniformity, and the lessening of evasion.

Summary and General Outlook

Although these plans differ in several material respects, such as the effect of business taxes versus individual income taxes on production and employment, and the desirability of a general sales tax, substantial points of agreement are in evidence on the following recommendations:

- (1) Repeal of the excess-profits tax.
- (2) Repeal of the capital-stock and declared-value excess-profits tax.
- (3) Ultimate repeal of the carry-back provisions and extension of the carry-forward provisions.

These recommendations are generally regarded as acceptable to Congressional and Treasury tax experts.

The several alternative methods for handling the double taxation of corporate dividends and the general corporate income tax are helpful in the consideration of the problem. It appears unlikely, at present, that corporation income taxes will be eliminated, primarily because of the difficulty in finding a satisfactory method of taxing undistributed profits. The trend seems toward revision along traditional lines with a credit given to the individual for the tax paid by the corporation. Possible rate reduction may be less than suggested in the schedules of these plans due to heavier revenue requirements than estimated.

The enactment of a general sales tax appears unlikely and present excise taxes will probably be reduced and eliminated as soon as feasible (except on liquor, tobacco, and gasoline) in order to give relief to the lower-income groups.

The individual income tax will probably bear the major tax load. Proposed rate reductions and the date when they may be effected still depend on many indeterminate factors of postwar budget requirements, level of national income, and political considerations. Reductions from the present maximum surtax of 91 per cent to 75 per cent seems likely. However, political factors and concern over stimulation of consumer purchasing power may prevent reduction in income taxes favoring the higher-income brackets relative to the middle and lower-income groups, in order to stimulate venture capital. Relief may therefore be limited to larger allowances for losses and reduction in double taxation of dividends. There seems to be general approval for permanent retention of withholding provisions and current payments of income taxes.

These studies are significant in aiding the formulation of necessary immediate postwar tax revisions which would stimulate high levels of production and employment and make possible a speedy and ready transition to a prosperous postwar economy.

However, too many indeterminate factors, already indicated, prevent the crystallization of a complete, well defined tax program which could attain the stated objective of a simplified, long-range, permanent tax structure. Many major problems such as estate and gift taxation, capital gains and losses, coördination of federal, state, and local taxation have specifically been referred for consideration after the war.

The creation of a nonpartisan tax commission, recommended by the American Institute of Accountants,²³ specifically delegated for the purpose of reviewing and evaluating the entire tax structure, would be the most practicable and efficient means for achieving the goal of a long-range integrated tax structure. Such a commission could serve as an effective clearing house for the meritorious proposals offered by individual groups and could accept the valuable assistance of such organizations

which might carry out specific studies on selected aspects. Without such a commission, constant tinkering and piecemeal revisions are probable.

It is encouraging to note that these studies place a major emphasis on the need for a stable tax structure built on sound tax principles, and it is to be hoped that a nonpartisan tax commission may be established in the near future to attain this objective.

COMPARISON OF PROPOSED SOURCES OF TAX REVENUE
CED, RUMI-SONNE, AND TWIN CITIES PLANS
(in billions)

	<i>Rumi-Sonne</i>	<i>Twin-Cities (with sales tax)</i>	<i>CED *</i>
National income level.....	140.0	120.0	140.0
Corporation taxes**			
Income tax	5.0	2.3
Franchise and retained-earnings tax:	1.0
Personal income tax.....	13.0	5.0	11.9
Sales tax	2.8
Excise taxes	3.0	4.0	2.9
Estate and gift taxes.....	.5	.5	.9
Customs and miscellaneous.....	.5	.7	1.6†
Total and estimated postwar budget (exclusive of social-security taxes and public-debt retirement)	18.0	18.0	19.5‡

²³ Professor Groves in his study refers to a suggestion made by Arnold Barr which he thinks merits attention, that the whole tax system might be removed from politics by delegating to a representative commission the task of preparing recommended revisions of the tax law either regularly or at intervals. *

* Based on standard rate for personal income tax and corporation income tax of 20 per cent.

** Repeal of excess-profits tax and capital-stock declared-value excess-profits tax advocated by each plan.

† Includes an estimate of \$400 million from disposal of government plants, equipment, and supplies.

‡ Rounded figure. The actual total is \$19.6 billion.

An Answer to "The Training of Bookkeepers in New York City High Schools"*

By ADOLPH KLEIN, C.P.A.

THE onus of the responsibility for the teaching of bookkeeping is thrown upon the accounting profession by Mr. Lenert on two counts—those of self-interest and civic duty. Without elaboration he justifies the second of these by stating "since this training is technical, not familiar to the general education authorities, the specialists in the field owe their public the duty of planning and supervising the courses in commercial education".

Mr. Lenert would appear not to be very well acquainted with the set-up in the commercial education field in New York City. Whether or not the Director of Commercial Education holds a degree in accounting (presumably the C.P.A. is meant) is not significant. What is significant is that a large part of the actual teaching force does hold such degree. There is hardly an accounting department in any of the high schools in New York City where accounting is taught which does not have among its faculty at least one C.P.A. His statement that there is no first-hand knowledge of the activities in the commercial world is unfounded, for one of the requirements for the teaching of commercial subjects is at least one year's business experience. His third charge, that they do not consider commercial education important enough to be looked into carefully and constantly is refuted by some twenty odd annuals published by the Eastern Commercial Teachers Association and the Commercial Education Association. Semi-annual and annual conventions are held by these societies. At these, teachers, supervisors and business men read papers and discuss not

only current methods of teaching the subjects but also the most up-to-date business practices. And if Mr. LaGuardia isn't listening, it may also be told that, oh, so many of our bookkeeping teachers are engaged in the practice of accounting during after-school hours, evenings and summer "vacations".

Coming to Mr. Lenert's philosophy of Secondary Commercial Education we find him bogged down somewhere in the 1880's. He would lead us back to those dark ages of bookkeeping teaching when the pupil was told to make an entry in a book labeled "Cash" every time cash is received. That sounds logical all right, but that's as far as the logic went. Then he was told to make the subsequent entry for that cash on the right side of the account of the customer who sent the cash. Well, after doing that forty or fifty times there's no doubt that the pupil learned that step but the reason for it remained a dark secret to be unfolded some time in the remote future. That, Mr. Lenert should be told, is an illustration of the teacher "exercising an autocratic power not delegated to any governing body in our democracy". This high sounding indignation is ill-spent when directed at the teacher who is trying to make the work of the bookkeeping class truly meaningful to the student.

The whole theory of bookkeeping teaching is a half-century ahead of Mr. Lenert. True, we do introduce the concept of Assets and Capital in the first lesson. That's reasonable. The youngster acquires an idea basic not only to accounting but even more so to our system of

* The article "The Training of Bookkeepers in New York City High Schools" by Nathan H. Lenert, C.P.A., appeared in the September 1944 issue.

bookkeeping. He at once learns to look for the balance around which our whole work revolves. It's not that "theory is worshipped" but we don't want to have the students feel that practice is being horsewhipped into them. We feel that if the student learns the reason for every step he is asked to take he will not only be able to earn a living by bookkeeping but he will be equipped to get the thrill of the true artisan in understanding what he is doing. Does Mr. Lenert forget the thrill that goes with a piece of work well done not by chance but by design and understanding. Does he no longer get "spiritual satisfaction" from a job which comes out right because he did it the right way, knowing why every thing he did was right when he did it?

Mr. Lenert makes much of the distinction between vocational education and cultural education. We don't recognize that difference in the philosophy of education. That distinction went out with Mr. Lenert's rote teaching of bookkeeping. It's understood now that all education is cultural. A person is cultured if he sees the inter-relationship between his little notch in the world and the great big world around him, if he understands what he's doing and why, if he appreciates the value of his contribution to the bigger job of which he's only a small but essential part. Why shouldn't a bookkeeper be as cultured a person as is his accountant, even though not so highly trained? The better type of vocational training is trying to make intelligent workers, not robots. True, there was a stigma attached to vocational training at one time, but that was when vocational training was the kind Mr. Lenert advocates. We've left that behind us, thank goodness.

Up to this point we've been discussing the students who are truly educable on the secondary level,

with all that that implies. Unfortunately there are in the high schools today many pupils who are there only because of chronology and the compulsory education law. When these youngsters find their way into the bookkeeping course, either by choice or because there is no other place for them, we take care of them in so-called "record-keeping" courses. That's where they get what Mr. Lenert advocates—rote training in the making of specific entries into specific books, with reasoning de-emphasized. But we don't call it bookkeeping.

If it is believed that the writer, being only another teacher, is unqualified to view this matter from the professional accountants' rare heights, the reader is referred to the works of such recognized practitioners as Joseph J. Klein and Roy B. Kester both of whom wrote elementary texts for the first two years of high school. Both used the rationalized method, probably for very good reasons.

Now, if Mr. Lenert had approached the problem realistically he would have taken quite a different tack. He would have said, justifiably, in addition to the theoretical work in bookkeeping we should give the students an opportunity to be equipped for a job in a modern office when they are graduated. This means we should train them to work bookkeeping machines. That would mean we'd have to equip all schools where bookkeeping is taught with modern I.B.M., Remington Rand, Elliot Fisher and other equipment. That is what's needed. But that costs money, lots of money—and those who hold the purse strings must be convinced that that is what's needed. Does Mr. Lenert's admirable sense of civic duty stretch that far? We're ready to oblige if he can manage to convince the budget makers to let us have the machines.

In
re
E
A
co
ac
of
pe
an
C

"Pu
A

"Ac

"Ac

sary
con
com
acce
V
tion
T
the
in 2
No
cour

v
s
a
h
c
t
a
a
c

19

What is a Public Accountant?

PART I: TO 1896

By NORMAN E. WEBSTER, C.P.A.

Editor's Note: The Securities and Exchange Commission in its Report on Investigation in the Matter of McKesson & Robbins Inc. included a note on page 135 referring to *A History of Accounting and Accountants* by Richard Brown published in Edinburgh in 1905. That book gave only 10 pages, 271-280, to The United States of America. For that reason the author of this article thought that a volume as nearly comparable to the Brown book as he could make it should tell the story of public accountancy in this country. He disclaims any effort at authorship and says he is only a researcher and compiler. This article was prepared as one chapter of his proposed book. Another chapter, telling how public accountants have described themselves and their work since 1896, will appear in the December issue of *The New York Certified Public Accountant*.

"Public Accountant: An accountant whose services are available to the public."

"Accountant: One who is skilled in, keeps or adjusts accounts."

"Accounting: Accounting explains the results furnished by the bookkeeper and draws the necessary inferences as to the condition and conduct of the business, a function comprehended in the phrase, public accountant."

Webster's New International Dictionary 2d Ed. 1935, pages 2005, 16.

The Committee on Terminology of the American Institute of Accountants in *Accounting Research Bulletin No. 7*, November 1940 discussed the word accounting thus:

"A careful consideration of these words will therefore add to understanding, not only among accountants themselves, but also among others outside the profession who have to do with accounting. The committee suggested that one result of such discussions might be to bring the special uses of accounting terms, as against their general uses, to the attention of the publishers of general dictionaries."

But this was not the first suggestion that greater care should be exercised in the definition and use of such words. On August 30, 1881, *The Bookkeeper* printed a letter from C.A.U., probably Charles A. Underhill, who a few months later was a charter member of the Institute of Accounts, but apparently not in practice. He wrote:

"Is it not high time I would ask, that the word accountant should mean something here as well as in the Old World? When a man in England advertises himself as an expert accountant his capabilities are no more doubted than are those of one lawyer compared with another."

But it appears that he referred to qualifications rather than to services. And complaint as to the dictionaries also was made about that time. On May 23, 1882, an editorial in *The Bookkeeper* discussed the words bookkeeper and accountant in part as follows:

"According to the best American Lexicographers there can be but little difference in the two terms. An accountant is described as a keeper of accounts, while the definition of a bookkeeper is a keeper of account-books. We believe it is customary in this country to use the words synon-

ymously. But as to whether our lexicographers have been sufficiently searching in their inquiries, and if possessed of the necessary practical knowledge of the art of keeping and examining accounts to have given a perfectly correct explanation of the two terms, may be a question for discussion. We know that in Great Britain, and, we believe, in British provinces generally, the two words have widely differential meanings—at least they have in their common or practical usages. In England, and also with our cousins just across the northern boundary, the title of accountant is applied to a class of professional persons almost as separate and distinct from the class known as bookkeepers as are the judges of courts distinct from the general class of attorneys. A judge must of course be a lawyer, but it is not necessary for that reason that all lawyers must be judges”.

Since the dictionary definitions of public accountant have been subjected to criticism for sixty years, it may be well to note what has been said of the term. The editorial just quoted continued the discussion of an accountant.

“It is expected in the countries referred to, that every accountant must be a bookkeeper—so far at least as possessing a knowledge of how books of account should be kept, may extend. And it is expected that he has served a term, and had experience in examining accounts for cases in legal controversy, in liquidations, bankruptcies, etc., which gives him a special qualification. Accountants are a class recognized, in the general laws of the country, as having a professional standing quite independent from that of the bookkeeper. In matters of liquidation, bankruptcies and the like, accountants are as regularly appointed by the courts as are receivers appointed in this country. Professional accountants in the United States or those who devote themselves in a professional way to

examining accounts, but not being engaged in any regular work or regular place, are few in number. There are probably, not half so many in the whole country as there are of that class in the City of London.”

Two months later the *New York World* told of the organization of the first society of accountants and quoted with approval much of the above quoted editorial. And in its issue of November 21, 1882, the *World* said editorially:

“There is no such detective as a thorough accountant, and the taxpayers of New York and Brooklyn will rejoice with the *World* in the appointment yesterday made of two thorough accountants as members of the Brooklyn Bridge Investigating Committee.”

Edward T. Cockey, who later was New York C.P.A. No. 91 and who was listed as an accountant in the New York directories during many years from 1883, addressed the Institute of Accountants and Bookkeepers of the City of New York on February 15, 1883. His lecture on The Scope of the Accountant's Art was printed in *The Bookkeeper* of February 27, 1883. While he did not define the term public accountant his opening and closing sentences suggested the breadth which he attributed to it.

“My thesis is: Every natural law has number as an essential part, and every art and every science needs the labor and experience of the practiced accountant for its full development. * * * accountants' art is not confined within the limits of commerce and finance but reaches and touches everything in nature.”

“In conclusion—I am well repaid if I have drawn your thoughts to one direction in which your surplus energies may be directed; and though I do not lose sight of the fact that there is much room for improvement in our own

science; that with us and with our Institute lies the duty of perfecting the methods of accounting and raising the standards of our craft; yet I think a little study of collateral themes will not hurt us as accountants, nor render our value in the counting room less. Francis Bacon said: 'I have taken all knowledge to be my province'.—that, gentlemen, is the Scope of the Accountant's Art."

The AMERICAN COUNTING-ROOM of January 1884, Vol. VIII, page 34, contained the following:

"SCOPE OF THE ACCOUNTANT'S ART"

The following extract from the circular of an eminent firm of accountants, well-known both here and in Europe, so admirably defines the sphere of the profession as to leave no argument for its necessity to be desired.

The full scope of the business compromises:

Designing books of accounts for any special trade, business, or purpose, and opening, balancing and closing the same.

Auditing the books of accounts of all corporations, * * * and of private individuals and firms.

Examining into the financial relations existing between all corporations, their branches and agencies.

Auditing and certifying statements of corporations to stockholders, or for the use of directors, managers and trustees, or as a basis of reports to State officials.

Auditing and certifying reports made by agents to principals or parent companies in other States or foreign countries.

Liquidation of the affairs of individuals, private firms and public corporations.

Investigation and adjustment of disputed accounts and of partnership and joint accounts.

Examining and reporting upon the statements, facts and financial condi-

tions, upon the strength of which it is proposed to found commercial, manufacturing, mining, financial or other undertakings.

Examining and reporting on receivers' and trustees' accounts for settlement and acceptance in court.

Searching books of account by order of court for the purpose of establishing evidence of facts, or for testing probable theories.

Examining and reporting upon the accounts of insolvents, and upon the value of their assets.

Estimating and reporting on the value of securities, and comparing them with vouchers and entries upon account-books.

Supervising and directing inventories of stock and assets, and the proper balancing of sets of books, so as to show the real state of affairs of a business or corporation.

Examining the affairs of embarrassed but solvent debtors, and of insolvent debtors.

Arbitrations.

Preparation of the accounts of executors and administrators, and trustees; ascertaining the respective interests of legatees and other beneficiaries in the estates of deceased persons, both as to principal and income, and their apportionment.

Overhauling old books of account for stating the interests of minor children, or absent parties and for final settlement.

Searching for errors, intentional or otherwise, in accounts, and correcting the same."

So far as has been noted in American accounting publications this was the first mention of arbitrations as within the scope of the public practice of accountancy. It preceded by over 40 years the passage of the Federal Arbitration Act.

To what extent if any the question was discussed during the next two or three years has not been ascertained because no issue of the only accounting

magazine published during July 1884 to May 1886 has been found in any library. However, it appears that the subject was still of interest or that the need for a better understanding of it still existed because *The Office* of September 1886 published an editorial as follows:

"The functions of the expert accountant are, perhaps, less understood by the business community at large than it would be well to have them. They may be summed up under several heads, among which may be mentioned—first, planning and remodeling books so as to adapt them to special requirements; second, auditing books and verifying the balance sheets; third, adjusting and closing books in terms of partnership, dissolution agreements, etc.; and fourth, unravelling books and accounts which are in a tangle. Under the first of these heads the expert occupies a commanding position as compared with the ordinary book-keeper, from the fact that he has wide and varied experience, and accordingly can do more than even an equally competent man who has been restricted to ordinary lines of practice. Under the second head, the expert's systematic training is a continuous safe-guard against errors and frauds, and a satisfaction as well to those in charge of the cash as to those interested in the profits. Under the third head the expert sees that all questions of depreciations, renewals, drawbacks, doubtful debts and other contingencies are duly considered, while under the fourth head his trained and practiced skill finds clues in a mass of confusion, and soon determines the shortest way out."

The December 1887 letter of the Wall Street banking house of John H. Davis & Co. contained a chapter on Reform in Railway Reports reproduced in part in *The Office* of January 1888, some of which was as follows:

"Uniformity of reports, however, is but one step in the reform which is necessary. A still more important one is the removal of reports from the possibilities of interested coloring, and this can only be done by the compulsory adoption of the English method of periodical audit by outside professional accountants, duly qualified and sworn. An English corporation elects its auditors, it is true, and to that extent they become officers of the company, but this election is made from the list of Chartered Accountants who have passed examination for capacity, and who are held to a rigid responsibility for the accuracy of their examinations and reports. They are absolutely independent of the firm or corporations whose accounts they examine and whose balance sheets they prepare for the shareholders. Their reports are looked upon as conclusive, and upon them dividends are declared and public opinion based. We have as yet no Institute of Chartered Accountants', but financial and business men should be roused to an insistence upon some similar organization, and meantime stockholders and bond holders should be assured through independent audit by the best available public accountants, that exact facts are fully disclosed."

THE AMERICAN ASSOCIATION OF PUBLIC ACCOUNTANTS, New York 1888 is the title of a pamphlet of 29 pages 6½" x 4" in which the dictionary definition of the word accountant was criticized and the meaning of the word was stated at length. Excerpts from that booklet follow:

"When the lexicographers gave the definition of Accountant as 'One who is skilled in, or keeps accounts,' the compilers of the dictionary covered the ground, but in a partial and general sense."

* * * * *

What is a Public Accountant?

"'Skilled in Accounts'—to quote from the definitions—and the dangerous latitude of possibility in this gives a significance which is really the key to the mystery of what, to an unthinking person, an Accountant really is.

"A person to be feared? No; except when, with integrity of purpose, complete knowledge of his duties, adaptability for an emergency, which comes from experience and confidence, and a maturity of judgment which weighs cause and effect with justice and discrimination, he seeks for and finds evidence of wrong-doing and fraud which the over-reaching shrewdness of dishonesty has hidden from casual observance.

"A person to be respected? Yes; for the responsibility assumed, the untiring application and industry necessary to fitness for the work undertaken, the constant appreciation of the relations to others against whom he may be searching for damaging evidence, seeking, in many instances, for that which he does not wish to find, and yet with the unerring testimony of the gradually developing facts growing upon the pages before him. Standing as the Mentor whose wisdom and impartiality may check the erring or do justice to the wrongfully accused, he is the safeguard to all.

"The skilled Accountant is this; and the credential of unchallenged ability entitles him to the recognition demanded by the requirements of the situation in which he is called upon to act—for that credential must be earned by patience, hard work, perseverance and study, in more than one direction.

* * * * *

"The Accountant has integrity and responsibility as his birthright when he enters the guild, and an independent audit, under similar

organization, would disclose the facts, and to a large degree cut short the story of defalcation, irregularity, failure and disaster which is but far too frequently told in America, and which points its own moral—severe and lasting as it is, to those who suffer."

The pamphlet then reproduced eleven newspaper items about the newly formed Association which were followed by eight paragraphs under the caption—"What an Accountant Does".

"The professional practice of a Public Accountant embraces within its extensive and varied scope the following, viz.:

1. The designing and planning of Books and Accounts, so as to adapt them to the requirement of any particular business, and thereby show the working of the various departments thereof; also the devising a proper organization to furnish the details necessary to aid the management in obtaining results with the least possible amount of labor, and at the same time insuring correctness in all particulars.
2. The critical examination and auditing of the Books and Accounts of Corporations, including Railroad Companies, Banks and Insurance Companies, Municipal Corporations, Water and Gas Works, and all other public, mercantile and manufacturing companies, as also those of private individuals and firms; the preparation of Balance Sheets, Trading and Profit and Loss Accounts pertaining thereto for the guidance of Stockholders and others interested therein.
3. The investigation and adjustment of Partnership Accounts, for the determination of the re-

spective interests of partners and their representatives.

4. Examining and reporting upon statements and conditions upon which it is proposed to found commercial, manufacturing, financial and other undertakings.
5. The compilation and examination of Receiver's and Trustees' Accounts for filing in the Courts, and also the accounts of insolvent businesses and the preparation of Statements of Affairs and Deficiency Accounts for the purpose of ascertaining the status of the estate, and so guiding creditors in the determination of their interests.
6. The settlement of Depreciations, Reviews, Discounts, the provision for doubtful debts and contingencies on the closing of accounts at the termination of the fiscal year, and the incorporating of the same in Balance Sheets, preparatory to determining the net profits of the year.
7. The ascertainment of results in questions of dispute; the elucidation of facts from Books, and Accounts in the adjustment of questions of law where accounts are involved.
8. Generally advising and assisting in the organization of offices, in the form of books and other things required for the conduct of business of various descriptions, so that proper safeguards and methods may be adopted to insure correctness with dispatch and the proper classification of details for obtaining results."

Capel Ellis LeJeune who later was New York C.P.A. No. 39 and who was listed as an accountant in the New York directories from 1889 issued a circular, two paragraphs of which were quoted in THE OFFICE

of January 1889. He told of the profession in Great Britain, and described its actions in general as follows:

"The business of public accounting has long since been demonstrated to be a necessary profession. * * * The duty and service of the public accountant are by no means limited to the matter of searching out and reporting upon the possible shortages in the cash and securities of trusted employees. The proper departmenting of accounts, the planning of books and formulae, assisting and advising in the general organization and duties of office, so that proper safeguards and methods may be adopted to insure correctness with dispatch, and the proper classification of details for obtaining results—in all of which is involved the question of economy and book space—are also parts of the duty and service of the specialist in this line."

Continuing these descriptions of the services performed by public accountants which must take the place of exact definitions of the term THE OFFICE in May 1891, page VIII mentioned a circular recently issued by the firm of Harney Cady & Co. showing that it was prepared to undertake work of various classes, namely:

"Accounts are written up, trial balances taken and balance sheets prepared. Periodical and occasional audits are undertaken, books are opened and systems of accounts formulated and adapted to the requirements of any business. Their enterprise is not confined to the City of New York, for they announce their readiness to go where ever their services are needed."

BUSINESS for July 1892, page 135, quoted from an English accountancy publication a part of what it had printed as Frauds of an American Accountant.

"The custom of employing 'expert' accountants (the only really qualified accountants in the States) almost exclusively upon detective work seems to be losing sight of the fact that the duly qualified auditor is even more valuable as a preventive of fraud than as a detector of fraud actually committed. Our cousin Jonathan has yet to learn many of the advantages that obtain in our profession."

A letter dated June 13, 1892 and signed H., New York, perhaps from a controller or head bookkeeper which was printed in *BUSINESS*, for July 1892, page 141, said in part:

"Why should there be an irrepressible conflict between the two branches of the profession of accounts, the one occupied in keeping, supervising, handling, managing business records, the other employed as critics, analysts, verifiers, investigators of the same product? Both are necessary."

Accountants' Certificates was the caption of a story of more than three pages in *BUSINESS* January 1894, Vol. XIV, page 11. The article was in regard to the failure late in 1893 (that was a panic year) of Thurber, Whyland Co. a grocery corporation, for the organization of which an examination covering 10 years to January 31, 1890 had been made by Yalden, Brooks & Donnelly with a report or certificate dated January 9, 1891 (that was prior to the depression). The New York Evening Post published letters about the accountants' certificate and also its editorial replies and comments. Although most of the statements were as to the procedures which the accountant should or should not have been expected to follow, a few sentences in the letters and editorials suggested what the writers expected of a public accountant.

"Accounting firms are regularly

called upon to certify to the conditions in which they find the business of a firm that proposes to extend its operations by incorporation or otherwise", by Editor of *BUSINESS*.

"An accountant is a man who examines the books and who certifies that the figures therein contained showed such and such results. * * * He is no judge of the real probabilities of the future". *NEW YORK EVENING POST*, editorial.

"I think the tendency of your (*EVENING POST*) article is to reflect somewhat on the usefulness of public accountants, in matters connected with the transfer or conversion of private firms into joint stock companies. * * * In matters of this nature it should be distinctly borne in mind that the professional accountant is the servant of the public, and just what the public wants so will he be willing to give." James T. Anyon, letter.

"If the accountant is really ignorant on points of such importance as business conditions, he is utterly unfit for his profession" * * * "you again appear to underestimate the knowledge and understanding, and underestimate the responsibility of competent public accountants." William H. Veysey, letter.

Then in *BUSINESS* for February, April and May 1895, Vol. XV, pages 79, 158, 198, there was reprinted from the *BANKERS' MAGAZINE* of London, a paper by A. H. Gibson, Fellow of the Chartered Accountants of England and Wales entitled "Duties and Responsibilities of Auditors". As the reprint occupied seven 11-inch columns, it is much too long to reproduce in full. Some extracts from it must suffice.

"There are few matters respecting which the ideas of the British public are more hazy than respecting the duties, utility and respon-

sibilities, of auditors. This is hardly to be wondered at, for although not a modern creation, the auditor is a modern development, and he hardly yet feels himself in complete harmony with his environment. The individual auditor does not even find himself in accord with his professional brethren; the opinions within the Institute of Chartered Accountants regarding auditorial duties and responsibilities are as divergent as those without" * * *.

"The functions of the latter (professional auditors) are analogous to those of a physician to a life office. Before entering upon the risk of insuring a man's life the insuring company requires his condition to be audited by a skilled expert. Such expert—the physician—is enabled by his training to arrive at conclusions generally correct after a short examination of the subject. He knows how to detect by his instruments and soundings the symptoms of the common human diseases, while a similar examination by an unskilled person would lead to no reliable conclusion." * * *

After discussing so-called negative duties the author then says:

"His duty being, as already indicated, to satisfy himself that the directors place a bona fide statement of the results of their dealings * * * he must be satisfied that the balance sheet is a fair one, properly drawn up; if, however, he be not satisfied he must not alter it except with the consent of the directors. They * * * have the right and the duty to put before the shareholders their view of the results of their management; the auditor's duty, if he does not consider the balance sheet fairly represents those results, and he cannot convert the directors to his view, is to report to the shareholders in what respects he con-

siders it wrong or misleading * * *.

"From what we have written it will be apparent that auditing, instead of being a matter merely of arithmetic and verification of simple facts, as is generally supposed, requires for its proper performance, trained skill, tact, and judgment of a high order."

And in the DECEMBER 1895 issue of *BUSINESS*, Vol. XV, page 440, there was reprinted from the *BANKING LAW JOURNAL*, New York a paper by Frank Blacklock—later one of the first C.P.A.'s in Maryland. Here are extracts from the beginning and end.

"Among the numerous suggestions that can be made as to the manner of conducting the practice of the profession of an accountant, * * *, is that of cultivating the quality of thoroughness, which is one of the principal recommendations of a public accountant."

"Finally, the most important thing for a public accountant to cultivate is to learn to read human character correctly."

Another answer to the question What is a Public Accountant? appeared in *BUSINESS* for April 1896, Vol. XVI, page 188, prior to the enactment of the New York C.P.A. Law.

"Duties and Responsibilities of Auditors"

Under the head of "What I Do" a prominent expert accountant and auditor of this city sends out a circular divided into eight sections, a reprint of which in this connection is equivalent to an additional chapter on the duties and responsibilities of auditors recently printed in this paper. The paragraphs below, it should be borne in mind, read under the head "What I Do".

I

Make special or regular audits of books and accounts for principals, treasurers, cashiers, in-

What is a Public Accountant?

vestors, directors, special partners or others.

II

Review the balance sheets of firms or corporations, conduct arbitrations, adjust partnership accounts, and make settlements; make partial or thorough investigations and give results in concise and intelligible reports.

III

Devise and invent books to meet special requirements; originate printed forms for correspondence and reports; introduce voucher systems and exhibits with plans for saving labor and detecting errors.

IV

Advise directors of corporations, treasurers, cashiers, trustees, receivers, administrators, auditors or accountants, upon questions arising in the discharge of fiduciary duties; in auditing or examining contested or tangled accounts; opening, closing or keeping the books of firms, corporations, banks, etc.

V

Keep the special or private books or ledgers of firms or corporations for partners, principals, officers or directors, making up special or periodical exhibits showing results of operations independent of work of regular bookkeeper.

VI

Give counsel and assistance in organizing joint-stock companies, attend preliminary meetings, serve temporarily as secretary and assist appointees to official positions in the proper discharge of their trusts.

VII

Make examinations for clients and report to them on business interests, value of stocks or bonds of incorporated companies, municipi-

pal corporations, town, country or other branches of government.

VIII

Prepare and attend to the filing of preliminary reports and final accountings for receivers, assignees, executors, trustees and others filling similar positions."

And finally during the meeting in Detroit, September 17, 18, 1896 at which there was organized the National Association of Accountants and Bookkeepers, A. J. Horn of Cleveland delivered an address, partly printed in *BUSINESS* for October 1896, Vol. XVI, page 449, in which he quoted some one whom he identified only as "a prominent manufacturer who knew a good thing when he saw it". The quotation was the following description of a public accountant.

"1. A Doctor of Accounts must be a man of good mentality, of keen perception, of sound judgment, and practical business qualifications.

2. He must be thoroughly posted in all new developments in his profession.

3. He is accurate in commercial calculations.

4. He is systematic in the arrangement of accounts, giving the greatest possible information in the most condensed form.

5. He is a genius in inventing and devising new systems of accounting adaptable to any kind of business.

6. He examines and probes every matter referred to him.

7. He is endowed with the faculties of causability, and can therefrom locate the causes, whys, wherefores and remedies of adverse business conditions.

8. He is an excellent counsellor with reference to effecting reforms in the administration of affairs.

9. He is lucid in his reports and expressions.

10. He has the methodical faculties of a railroad dispatcher in order that the various business operations may not collide in the great road of trade and commerce.

11. He has the investigating faculties of a detective.

12. He has the argumentative force of an attorney.

13. He has the patience of Job.

14. He has the perseverance of an astute politician.

15. He has more secrets to keep sacred than any other living man.

16. He is a man of good address, genial temperament, courteous manner, strong character, and honorable motives.

17. He is a 'hail fellow well met' beloved and respected by the business and civil community."

Varied as were the definitions and descriptions of the public accountant, the designations which different practitioners adopted to indicate their profession were almost as in-

dividual and varied. Some of the designations used in their cards in magazines were consulting accountant, expert accountant and professional accountant. Others did not use the word accountant as in the terms, examiner of accounts, account adjuster, and auditor of corporation accounts. Some also seem to have tried to indicate the scope of the service they rendered by longer titles such as expert accountant and auditor, or public accountant and auditor. And it appears that some feared that the business public might not understand any such designation and therefore used more words and described the services they were prepared to give. Even a Scottish chartered accountant explained his work thus: "Partnerships adjusted. Suspected accounts investigated," while another stated: "Adjustment of Disputed and Complicated Accounts; Insolvent and Other Estates."

One notice said: "May be consulted on questions relating to accounts. Consulting fee \$1." And another magazine advertisement read: "Deranged double-entry books rectified."

BUY MORE THAN BEFORE

in the

6th War Loan

Authors of Articles In This Issue



MILTON RINDLER, C.P.A., author of **"Proper Tax Accounting"** has been a member of the Society since 1933 and has been engaged in public accounting and tax work since 1921. He has written articles for the New York Times publication, The Annalist, The Journal of Accountancy, The Tax Magazine, The Financial World, and the New York Certified Public Accountant.

REBECCA NEWMAN GOLUB, author of **"The Postwar Tax Structure—A Discussion of Four Leading Plans"**, is a graduate of the University of Michigan and Columbia Law School. She is a member of the New York State bar and is serving as technical assistant to the committee on Federal taxation of the American Institute of Accountants.

NORMAN E. WEBSTER, C.P.A., author of **"What is A Public Accountant?"** is a partner of Webster, Horne & Elsdon and became a member of the Society in 1911. He received the A.M. degree from Union College and the LL.M. degree from the National Law School, Washington, D. C. He is a certified public accountant of Michigan and Connecticut, and at present is Chairman of the New York Board of Certified Public Accountant Examiners.

ADOLPH KLEIN, C.P.A., author of **"An Answer To 'The Training of Bookkeepers in New York City High Schools'"** is a graduate of New York University and holds the degrees of B.C.S., B.S., M.A., and Ph.D. He received his New York State C.P.A. certificate in 1927, and since 1929 has been teaching accounting and related subjects in Haaron High School. He has written articles which have appeared in the bulletin "High Points", and other educational journals.

RECONVERSION

SURPLUS DISPOSAL LAW REPORTS

SOUND, orderly, and effective disposition of war surplus property is a problem of vital importance to the business and economic welfare of the country.

All manner of products and materials are involved—foodstuffs, land, buildings, textiles, tools, airplanes, lumber, clothing—the list is limitless and the quantities and sums involved staggering. According to official estimates, the value of surplus stocks to be disposed of may reach 112 billion dollars—and all under the provisions and requirements of the new Surplus Property Act of 1944, detailed, exacting.

For the information and guidance of everyone concerned with the new law, here is a practical, dependable, and comprehensive weekly reporter especially designed to help subscribers know exactly what to do and how and when and why to do it in complying with the new Act. Week after week, each issue will report every significant turn and twist of unfolding developments under the law—official regulations, rulings, interpretations, court and administrative decisions, and other related pertinent material.

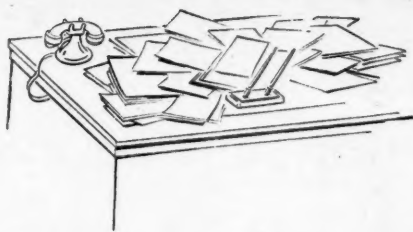
Truly, for everyone responsible for the correct solution of the thousand-and-one problems almost certain to arise with a law of such sweeping coverage, affecting so vast an array of products, materials and properties, a subscription to CCH's Surplus Disposal Law Reports is an investment in security and peace of mind.

COMMERCE CLEARING HOUSE, INC.,
PUBLISHERS OF TOPICAL LAW REPORTS

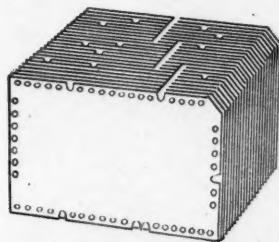
NEW YORK 1
EMPIRE STATE BLDG.

CHICAGO 1
214 N. MICHIGAN AVE.

WASHINGTON 4
MUNSEY BLDG.



Putting Chaos Out is simply a matter of bringing Order In!



There are nuggets in salesmen's reports...ore in production records...rich pay dirt in personnel files. Every business has a bonanza of facts... plenty of raw material for any report or analysis management needs. Trouble is, data is confused, chaotic... needs arrangement, order. McBee Keysort supplies it! Segregates, classifies all

pertinent facts through fast, efficient sorting. Increases accuracy, eliminates unnecessary effort, does away with danger of misposting. Usable by ordinary office people... custom designed to fit your particular problems... proved in thousands of installations, in all kinds of businesses. Maybe a McBee man can help you! Call any office!



THE McBEE COMPANY **SOLE MANUFACTURERS OF KEYSORT**

295 Madison Avenue, New York 17, N.Y... Offices in principal cities

LUDEN'S makes post-war advantages from a war-time necessity



4 GIRLS NOW DO THE WORK OF 12

We nominate Luden's, Inc., as a most interesting example of a company that faced the facts of huge increases in volume coupled with an acute shortage of office personnel—and came up with an answer that will *always* spell E-C-O-N-O-M-Y.

The answer combines the three functions of credit authorizing, accounts receivable handling and collection activity in a single smoothly-operating system.



Known as the Kolect-A-Matic Simplified Unit Invoice Accounting Plan, this system enables four girls at

Luden's to handle a volume of work that would require *three times* as many girls using the old conventional method. A further economy—expensive operating equipment has been eliminated. Also ended is the continual consumption of high grade expensive ledger cards and sheets.

With Kolect-A-Matic, invoice duplicates for each customer are filed in individual "pockets", each with a visible margin showing the customer's name, location, credit data and the

"age" of the oldest outstanding invoice. With this information, this filing constitutes *posting* of charges while posting of payments is done simply by removing invoices covered by each remittance.

With all necessary credit information available at a glance—current status is charted by Graph-A-Matic signals—each clerk quickly and effectively passes on new orders as they are received. This data also enables routine collection activities to be handled with equal speed, economy and accuracy, thus allowing the credit manager to concentrate on matters requiring executive decisions.

We'll gladly send you full details and illustrations showing the many advantages of this system. Ask our nearest Branch Office.

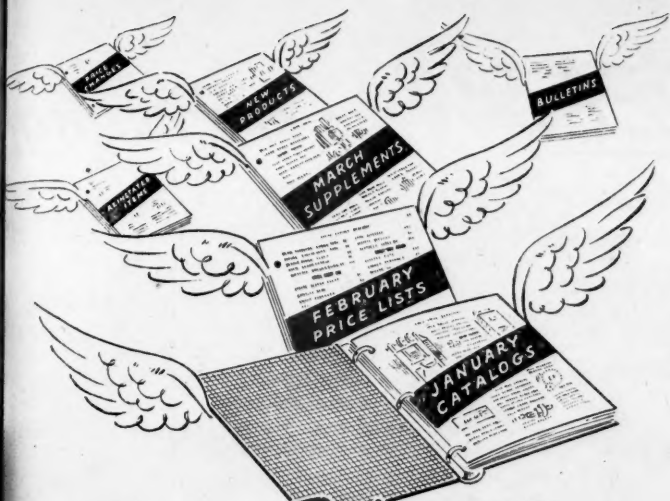
FOR "COMBINED OPERATIONS"
Credit • Collection
Accounts Receivable
The KOLECT-A-MATIC
UNIT INVOICE SYSTEM

COPYRIGHT, 1944

SYSTEMS DIVISION

REMINGTON RAND

Buffalo 5, New York



Give Wings TO YOUR 1945 PLANS

THE LOOSE LEAF WAY

1945 will be full of changes. Overnight government freezes on certain materials . . . releases on others . . . rapidly expanding civilian production . . . all mean quick changes in data of all kinds. The flexibility that is exclusively loose leaf will be more needed than ever before.

Keep your records and data up-to-the-minute in NATIONAL LOOSE LEAF COVERS. Their quality and stamina assure long life and lasting satisfaction. You'll find a style and size for every need.



**NATIONAL
STEEL HINGE RING BOOKS**
held back until recently
by the needs of war, are
again available. Ask
for series 4800.



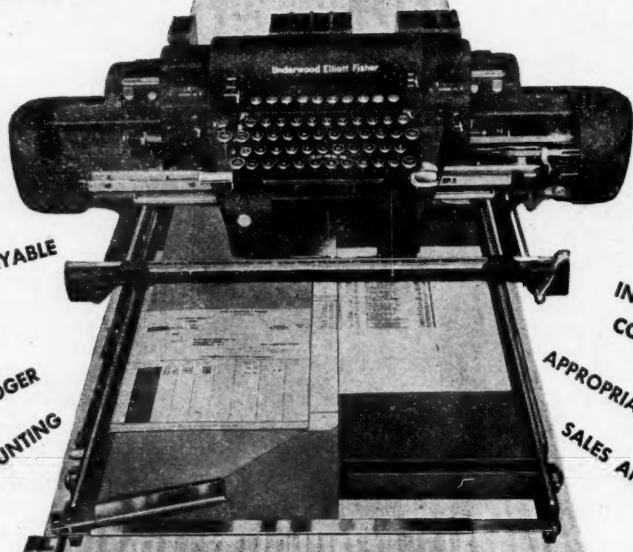
AT YOUR STATIONER'S

NATIONAL BLANK BOOK COMPANY

HOLYOKE, MASSACHUSETTS

NEW YORK BOSTON CHICAGO SAN FRANCISCO

The SPEEDWAY of Posting!



ACCOUNTS
RECEIVABLE

ACCOUNTS PAYABLE

PAYROLLS

GENERAL LEDGER

TAX ACCOUNTING

COST
RECORDS

STOCK
RECORDS

INVENTORY
CONTROL

APPROPRIATION LEDGER
SALES ANALYSES

It's down the stretch . . .

At the end of each month . . .

That Elliott-Fisher's speed way of posting . . . counts most.

But it's right from the start . . . right through each day . . . that the Elliott-Fisher saves important time and money for you.

Man hours and woman hours are turned to minutes. More work is sped through each day. The machine does everything. All adding, subtracting, totaling, and cross-balancing is automatic.

Your many different records are handled accurately and with dispatch. Each complete job, with its related entries, goes through in one operation.

Speed comes . . . from Elliott-Fisher's exclusive flat writing surface which provides quick insertion, alignment, and removal of forms.

. . . from the carbon paper roll that feeds between the sheets neatly and instantly.

. . . from the standard single "touch-type" keyboard, that's a cinch for every typist.

. . . from the short hand travel, automatic tabulating, and line spacing.

. . . from a dozen other time-cutting features.

It will pay you well to start your accounting on the "Speedway of Posting". Call your local Underwood Elliott Fisher office now for further information on the time and money saving performance of this simple machine.

Elliott Fisher Accounting Machines are available
subject to War Production Board authorization.



Our factory at Bridgeport,
Connecticut, proudly flies
the Army-Navy "E"
awarded for the produc-
tion of precision instru-
ments calling for skill
and craftsmanship of the
highest order . . .

Underwood Elliott Fisher Company

Accounting Machine Division

One Park Avenue, New York 16, N. Y.

Simplified Pay Roll System

—Completes Pay Roll Records in Half the Time

- ▶ **ELIMINATES** All but One
Record for Each Employee
- ▶ **SAVES** Priceless Office Hours
- ▶ **INSURES** Tax Records Always
Up-to-Date and in Balance
- ▶ **EXCELS** in Speed and Simplicity

Whether you have 13 or only 4 individual records for each employee, you can now eliminate all but ONE.

Sounds fantastic! But *it has already been done* for the thousands of companies — who are using Shaw-Walker's Simplified Pay Roll System.

These companies are *saving up to 67%* of the time formerly required for production of pay roll records.

The Shaw-Walker Pay Roll System is very simple. No machine is required. — Any clerk can operate it. — Anyone can understand the entire operation within ten minutes.

We will gladly show you this system in your office or send descriptive literature, whichever you choose.



SHAW-WALKER

Chrysler Building — MUrray Hill 6-1100

LARGEST EXCLUSIVE MAKERS OF OFFICE FURNITURE AND FILING EQUIPMENT IN THE WORLD

And I learned about women from you!



1 I wasn't myself today. The boss was yelling at me for those new figures. And me with only two girls, instead of the five I used to have!



2 Mistakes all over the place! No two answers would come out the same. I was wild...and the girls were in tears.



3 At lunchtime Miss O'Malley, who practically raised me in this business, marched me over to the Remington Rand office.



4 "Pete, it's about time you learned some of the facts of calculating life", she said. "Now this machine..."



5 To make a sour story sweet, I've just made out a WPB application for one of these Printing Calculators. And with Miss O'Malley to spread the good word, maybe the girls will forgive me.

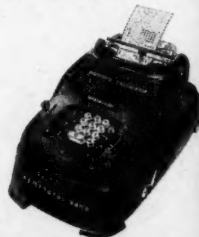
● The girls **WILL** forgive you, Pete... when they learn what's coming. And if the boss finds out, you might very possibly get promoted. For *everybody* loves the Printing Calculator: the operators, because it's so simple to operate, so fast... the boss, because this one machine does *all* kinds of office figuring... you, because it backs you up with a permanent printed record of every problem... something no other calculator can do.

YOU COULDN'T DO BETTER than follow Pete's example. Why not get in touch with Remington Rand today? Call any office, or write us at Buffalo 5, N.Y.

Remington Rand

AUTOMATIC PRINTING
CALCULATOR

The only PRINTING calculator with automatic division





These people buy a battleship — every week!

Meet John S. and Mary D.
John works at an electronics plant on Long Island, and makes \$85 a week. Almost 16% of it goes into War Bonds.

Mary has been driving rivets into bombers at an airplane plant on the West Coast. She makes \$65 a week, and puts 14% of it into War Bonds.

John and Mary are typical of more than 27 million Americans on the Payroll Savings Plan who, every single month, put half a BILLION dollars into War Bonds. That's enough to buy one of those hundred-million-dollar battleships every week, with enough money for an aircraft carrier and three or four cruisers left over.

In addition, John and Mary and the other people on the Payroll Plan have been among the biggest buyers of *extra* Bonds in every War Loan Drive.

They've financed a good share of our war effort all by themselves, and they've tucked away billions of dollars in savings that are going to come in mighty handy for both them and their country later on.

When this war is won, and we start giving credit where credit is due, don't forget John and Mary. After the fighting men, they deserve a place at the top. They've earned it.



You've backed the attack—now speed the victory!

THE NEW YORK STATE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

This is an official U. S. Treasury advertisement—prepared under auspices of Treasury Department and War Advertising Council



Guarantee the Accuracy of Your 1945 Withholding Deductions

Use the Delbridge Simplified Withholding Tax Chart for accuracy and speed in figuring your new withholding deductions.

This highly efficient visible-index, hinged-card system is printed in large easy-to-read type. The number of exemptions are printed in red with each three line group. Simply spot the exemption group and you have the answer. Published in four editions covering all payroll periods.

DELBRIDGE SIMPLIFIED WITHHOLDING TAX CHART

Price \$2.50

Order From Your Stationer

Delbridge Calculating Systems St. Louis, Mo.

... for Liberty
... for Peace

BUY
6th WAR LOAN
BONDS



Subscription

NEW YORK CERTIFIED PUBLIC
ACCOUNTANT

MONTHLY BULLETIN

Three Dollars Annually



Office of the
NEW YORK STATE SOCIETY
OF CERTIFIED PUBLIC ACCOUNTANTS

15 EAST 41st STREET, NEW YORK 17, N. Y.

